The Journal of Social, Political and Economic Studies

Spring, 1991 Vol. 16, No. 1

The Social Significance of the Current Soviet Economic Programs
Ernest Raiklin

The Soviet Political Upheaval of the 1980s: The Case of Moldavia
Nicholas Dima

On Teaching Democratic Values
Paul Gottfried

Government Policies and the U.S. Private Sector Is There a Political Phillips Curve?
Baruch Mevorach

Will China Have Her Perestroika in the Year 2000?
Jimming Lin and Alex Chang

The Main Brain Drain
Robert K. Graham and Paul H. Beattie

Civilization and the Quality of Population
Richard Lynn

Council for Social and Economic Studies

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Copyright 1991 by The Council for Social & Economic Studies

The Journal of Social, Political and Economic Studies is published quarterly by the Council for Social and Economic Studies. All correspondence should be addressed to The Editor, 6861 Elm Street, Suite 4H, McLean, Virginia 22101, U.S.A. [Telephone (703) 442-8010: Fax (703) 847-9524]. Formerly known as *The Journal of Social and Political Affairs*, the subscription rate is $70.00 per annum for libraries and institutions, although scholars and private individuals are entitled to a privilege rate of $32.50 per annum. Reduced three years subscriptions are available at a cost of $180.00 for libraries and $90.00 for individuals. The attention of readers is also drawn to the valuable Monograph Series, (ISSN 0895-724X) published in association with the Journal and advertised elsewhere in this issue. Members of the academic community and other qualified individuals are invited to consult the General Editor at the above address concerning articles which may wish to submit for possible publication.

ISSN 0193-5941

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE JOURNAL OF SOCIAL, POLITICAL AND ECONOMIC STUDIES

Roger Pearson
General Editor

Spring, 1991 Vol. 16, No. 1

CONTENTS

The Social Significance of the Current Soviet Economic Programs
By Ernest Raiklin 3

The Soviet Political Upheaval of the 1980s: The Case of Moldavia
By Nicholas Dima 39

On Teaching Democratic Values
By Paul Gottfried 59

Government Policies and the U.S. Private Sector Is There a Political Phillips Curve?
By Baruch Mevorach 77

Will China Have Her Perestroika in the Year 2000?
By Jimming Lin and Alex Chang 107

The Main Brain Drain
By Robert K. Graham and Paul H. Beattie 117

Book Review Article
Civilization and the Quality of Population
By Richard Lynn 121

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

EDITORIAL BOARD

General Editor
Roger Pearson

Council for Social and Economic Studies
McLean, Virgina

Advisory Committee

James T. Bennett
George Mason University

Stephen R. Bowers
James Madison University

Gary Bullert
University of Seattle

F. McA. Clifford-Vaughan
University of Natal

Sam S. Crutchfield, Jr.
Washington, D.C.

Joseph D. Douglass, Jr.
Washington, D.C.

Daniel Ellegiers
University of Brussels

Julien Freund
University of Strasbourg

Robert E. Gilbert
Northeastern University, Boston

John H. Hallowell
Duke University

Garrett Hardin
University of California, Santa Barbara

George A. Kourvetaris
Northern Illinois University

Russell Kirk
Mecosta, Michigan

James Mayall
London School of Economics

Maxwell A. Miller
Mountain States Legal Foundation

Dwight D. Murphey
Wichita State University

Robert C. Richardson, III
Washington, D.C.

R.J. Rummel
University of Hawaii at Manoa

Alan Ned Sabrosky
Rhodes College, Memphis

Helmut Schelsky
Westfälische University

Robert Schuettinger
Yale University

Udo Weiss
Heidelberg University

Oleg Zinam
University of Cincinnati

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE SOCIAL SIGNIFICANCE OF THE CURRENT SOVIET ECONOMIC PROGRAMS

Ernest Raiklin
University of Northern Iowa

> ... chaos can also be creative, and collapse can be the propellant of a new beginning. As Henry Brooks Adams said, 'Chaos often breeds life, when order breeds habit.'
>
> Seweryn Bialer
> *The Last Soviet Communist*

The terrible plight of the Soviet economy has called into being three economic programs. The existence of three proposals, not just one, shows that the Soviet Union no longer speaks in one voice and that there are conflicting views among Soviet officials on the ways to solve the problems of their country.[1]

Hence, three questions are in order. The first question relates to the major elements of the social structure of the contemporary Soviet Union. The second question refers to the social forces of the Soviet system which stand behind each of the plans and whose interests the projects defend and promote. The third question pertains to the possibility of the implementation of any of the projects.

The Core of the Present-Day Soviet Social Structure

Since its birth in 1928, the Soviet Union has been operating in a military-type fashion. The country's socio-economic system has been built as a pyramidal structure, with the bureaucracy comprising the pyramid and the rest of the population serving as the base on which the pyramid is located.[2] For some time, the Soviets themselves have been

---

1. In October 1990 a series of articles in *The New York Times* appeared about the three economic proposals. See, for instance, Keller, October 17, 18, and 20; Passell, October 21; and "Excerpts ...," October 17.
2. For an elaborate analysis of the Soviet socio-economic organization as it pertains to the Soviet bureaucracy, see Raiklin, 1988, 15/7, pp. 5-36; and Raiklin and Gillette, 1988,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

labelling their society as "the command-and-administer system of the Stalinist era ..." [Burlatsky, 1989, p. 51].

But the Soviet bureaucracy has been far from homogeneous. On the contrary, it has been differentiated into various horizontal and vertical strata. There are two main reasons for such a gradation: the social division of labor and the functional division of property.

The social division of labor is expressed in the difference in the *character* of the activity of the various layers of the bureaucracy. If the latter is understood as management personifying the Soviet state, then the social division of labor implies the *horizontal* (i.e. parallel) stratification of the bureaucracy into:

1. The party bureaucracy, or the administration of party affairs
2. The economic bureaucracy, or the management of the Soviet economy
3. The military bureaucracy, or the management of the military proper, the militia, and the KGB
4. The ideological bureaucracy, or the administration of the press, radio, television, theater, sports, and others
5. The trade union bureaucracy, or the management of the labor unions
6. The bureaucracy of the soviets, or the administration of the soviets as one of the organs of the political power

This stratification also entails a further horizontal differentiation into numerous subgroups within the major groups of the bureaucracy. Thus, the economic bureaucracy is subdivided into commercial, industrial, agricultural, etc., bureaucracies.

It could be argued that such a phenomenon as *the* party bureaucracy no longer exists. The reason for this, it might be maintained, is very simple. At present, there is more than one

---

15/6, pp. 65-136. [NB. In this article the author follows the correct convention of using the term "soviet" to mean one of the various governing councils that exist in the Soviet Union as distinct from "Soviet" which refers to the Soviet Union as an entity. - Ed.]

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

party in the Soviet Union. However, it does not mean that the "old" Communist Party and its bureaucracy have given up their power.

Here is how the situation is described by an American reporter in Moscow:

> Seven months after the Communist Party leadership declared a multiparty democracy in which the Communists could no longer rule unchallenged, the party's hegemony remains largely intact, and the opposition splintered among dozens of parties that, in turn, are riddled with factions themselves [Rubinfien, October 19, 1990].

The same theme is conveyed in a recent article by the famous Soviet film producer Govorukhin, who has wrote the article on the special request of an emigree Russian newspaper published in New York City. The title of the article speaks for itself: "The Death of the Communist Party ... Has Been Postponed."

While the term "social division of labor" does not need additional explanations, the concept of "functional division of property" does. By the functional division of property is meant the separation between ownership and possession. In this respect, the following types of relations should be clearly discerned: first, those which pertain exclusively to ownership. They include formal ownership, actual ownership, and the link between the two. And, second, those which pertain to possession. They tie possession and ownership, on the one hand, and relations within possession, on the other. The discussion of the meaning of each of these relations will be helpful in understanding the motives of the people who are making the current economic proposals in the Soviet Union.

Relations of Ownership

The ownership of the means of production might be looked upon from the *judicial* point of view. In accordance with this formal and legal view, the property relations in the Soviet Union are of a socialist, that is, of a public and collectivist, nature, simply because they are declared to be just that:

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> Socialist property of the means of production [a Soviet textbook on political economy of socialism points out] is a public, joint ownership by the toilers themselves. Members of socialist society ... [like members of a family] use the means and objects of labor in the production process and distribute products of their joint labor in their own interests [Koriagin and Loginov, 1977, p. 116].

The ownership of the means of production can be examined as it exists in reality. This approach recognizes that the "proclamation of property only as a legal category" [Fedorenko, 1988, p. 128] is not sufficient for the analysis of the actual relations of ownership.

But the two definitions of ownership might display two kinds of relations between them. In the first case, the legal and formal property relations *reflect* the real and actual relations of ownership. What should be, according to the law, coincides with what it is in actuality. Applied to the Soviet Union, the compatibility would imply the existence of the socialist-type (public and collectivist) property relations in reality as well as in theory.

Yet, in the second instance, the relations between judicial and actual property are no longer straightforward. They are now transformed in a complicated web where legality conceals the actuality. This is precisely what has taken place in the Soviet Union. Here the judicial declaration of the public as a formal property owner has served as a dress hiding the body of the bureaucracy as the actual proprietor of the means of production.

In the period of glasnost, the Soviets themselves are now openly talking about the discrepancy between words and deeds pertaining to property ownership. They are beginning to understand that state property is not necessarily a synonym of public (collective, family-type) property, and that the negation of democratic capitalism does not spontaneously lead to socialism. Thus, a Soviet film producer admits that

> [w]ithout democratic management of [formally] public property, it is in fact not [really] public property, not the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> [actual] property of all the people. Being the owner of property means being the master of management, otherwise property belongs to the bureaucratic stratum of society and not to the people. Removing the land and the plants from the [pre-Soviet] exploiters still does not mean transferring them to the people [Gelman, 1989, p. 307].

It has gradually been acknowledged that the bureaucracy as a whole is the actual proprietor of the means of production in the Soviet Union. This, however, is a *passive* ownership. For, while the recognition of the existence of the bureaucratic property draws a line between the *totality* of those who own and the *totality* of those who do not own the means of production in the Soviet Union, the demarcation alone does not automatically provide a device to manage, to put into action the very property of those to whom it really belongs. Without such a device, the bureaucratic ownership of the means of production remains *potential*, not actual.

Relations of Possession

The mechanism which is necessary to reveal the proprietary nature of the bureaucracy is furnished by possession. Here the functional distribution of property within the bureaucracy is displayed in several ways.

First, there is a relationship of possession versus ownership. As in the case of many modern Western corporations, various layers of the bureaucracy hold pieces of the national wealth and the bureaucracy in its entirety is the actual owner of the total amount of the national wealth. However, unlike the case of these modern Western corporations, neither the "Soviet Union Inc." itself (the bureaucracy as a whole) nor its "stockholders" (the different possessing strata of the bureaucracy) have any *legal* rights on the property. This is because formally the property is supposed to belong to the nation in general, and not to its bureaucratic part alone.

Hence, because of the fraudulent character of the link between actual and formal property ownership, the relationship between actual ownership and possession in the Soviet Union is by necessity illegitimate. As such, it has to be veiled

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and concealed from the general public. Accordingly, pieces of the national wealth possessed by various bureaucratic factions must be treated by them as something which should not belong but which, nevertheless, does belong to them. As will be shown later, the desire to overcome the ambiguity of the ownership-possession relationship compels some groups of the Soviet bureaucracy to move toward economic reforms of denationalization.

Second, there exists a correlation within possession itself. That is, in the system of the social division of labor and of the functional division of property, for the entire structure to function, various layers of the Soviet bureaucracy ought to establish certain relations with each other as possessors of pieces of the national wealth. Obviously, two kinds of relations between the possessors might be expected.

The possessors may interact in the *vertical fashion*, thus revealing the variation of the *scale* of the activity of different wings of the Soviet bureaucracy. The pyramidal structure of the Soviet system is clearly displayed by this vertical decision-making process.

At the bottom of the pyramid there is the petty bureaucracy. To it belongs that managerial part which directly confronts the ground of the bureaucratic pyramid, the Soviet population. Examples of managerial groups that fall into this category include the party and the Soviet bureaucracies at the lowest administrative levels in rural and urban areas; the economic bureaucracy at the enterprise level; and others, according to the same standard.

The middle bureaucracy stands on the shoulders of the petty bureaucracy. It comprises all the kinds of bureaucracy at the level of cities, regions, and autonomous republics. The economic bureaucracy also embodies the management of the economic associations.

Above the middle bureaucracy there is the upper bureaucracy. The latter counts in its ranks all types of management at the level of federal republics.

The very top of the pyramid is crowned by the bureaucratic oligarchy. This highest ladder of the bureaucracy, whose

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

location is in Moscow, is represented by the central (all-union) management of the party, economic, military, ideological, Soviet, and trade-union aspects of the country's life.

It is safe to conclude that in the vertical relationship within possession, the higher bureaucratic layer considers itself, and is treated by the lower bureaucratic layer, not just as a possessor but also as the owner of the piece of property under the control of the higher bureaucratic ladder to which the lower bureaucracy is subordinated. It is also logical to assume that all the vertical levels of the bureaucracy relate to the all-union bureaucratic oligarchy as the actual owner of the entire national wealth.

The possessors of the national wealth might also deal with each other *horizontally*, which is required, as it has been pointed out earlier, by the social division of labor. In the horizontal relationship within possession, possessors of different vertical domains treat one another as equal proprietors of portions of the national wealth assigned to them by the superiors within their vertical domains. The relations between enterprises, between associations, and between ministries within the economic bureaucracy; among the party committees, and among soviet executive committees of various administrative units, not subordinated to each other, within the party and the soviet bureaucracies, correspondingly, – are but a few examples of the interconnections where possessors of different vertical structures behave like owners.[3]

The Proximity of Possessors to the Process of Creation of the National Wealth

The need for the elaborate discussion of the ownership-possession question is far from academic. What interests us here is the *closeness* of the various strata of the Soviet bureau-

3. In such a structure of horizontal relations, the equality in ranks is unnecessary. That is, the management of an enterprise, whose status is that of the petty bureaucracy, might do business with the management of an unrelated association, whose position is that of the middle bureaucracy, as an owner of equal stature. [This is an extremely complex issue, e.g. how do owners behave when they don't have possession or when they own only a 99 year lease? – Ed.]

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cracy to the process of production and allocation of wealth. For wealth per se is a stock, which must be continuously replenished by a stream of goods and services emanating from productive activities of the nation. There could be no doubt that, in principle, the closer a possessor is to such a process, the stronger must be his desire to become a legally recognized owner, and, hence, the more ardent defender of denationalization he ought to be.[4] It is obvious that in the complex semi-feudal web of relations, various bureaucratic layers have different access to the process of wealth creation.

The proximity question contains three sets of problems. They are: closeness versus remoteness; directness versus roundaboutness; and, finally, the meaning of denationalization.

Closeness Versus Remoteness

The first is the primary problem of nearness versus remoteness. How far is a certain bureaucratic stratum, in its function of possession, from the production and allocation of the national property? The *horizontal* differentiation of the bureaucracy provides the answer to this question.

By ranking on a scale from 1 (the closest) to 6 (the furthest) the degree of proximity of the various horizontal types of the bureaucracy to the process of creation of the national wealth, the economic bureaucracy comes first. This is because its *sole* function, within the social division of labor, is to manage the *everyday* supervision and control of the production and allocation of goods and services by the nation.

The party bureaucracy, *one* of whose *major* duties within the social division of labor is the *general* supervision and control of the activities of the economic bureaucracy, occupies the second place. That the party in such an endeavor is still a fact of life in the present-day Soviet Union is recognized not only by previously mentioned foreign correspondents, but by others as well. From his own experience, Popov who is the chairman of

4. [This might not be the case where the possessor genuinely believes in Marxist theory. – Ed.]

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the Moscow soviet, also observes that "[w]e continue to function within the structure which is based on the model of the monoparty system" ["Kak Vyiti Iz Krizisa," 21 October, 1990, p. 7].

The third place belongs to the bureaucracy of the official trade unions. *One* of their *major* tasks within the social division of labor is to tame the Soviet worker and hence to facilitate the job of the party and the economic bureaucracies in running the Soviet economy.[5]

Fourth and fifth ranks are shared by the military and the ideological bureaucracies, respectively. Since their *primary* assignment within the social division of labor is to safeguard the existing socio-economic system, they create external conditions for the preservation of the bureaucratic ownership and possession.[6]

Finally, the type of horizontal bureaucracy which is further removed from the process of wealth creation than any of the

---

5. The role for trade unions in the Soviet Union to induce workers to produce more and to obey discipline set by the party and economic officials was originally designed by Lenin. He wrote in 1918:

> ... the victory of socialism is inconceivable without the victory of proletarian conscious discipline over spontaneous petty-bourgeois anarchy ....
>
> The more class-conscious vanguard of the Russian proletariat [the trade unions] has already set itself the task of raising labour discipline. For example, both the Central Committee of the Metalworkers' Union and the Central Council of Trade Unions have begun to draft the necessary measures and decrees. This work must be supported and pushed ahead with all speed ... we must raise the question of applying much of what is scientific and progressive in the Taylor system ... [to the conditions of the country] ... (Lenin, 1974, vol. 27, p. 258).

6. One might ask: "External only? Take the Soviet military bureaucracy. It possesses an enormous amount of the national wealth. It has one of the easiest accesses to the process of production and apportionment of the military hardware. And you still put it in the fourth-fifth place in terms of proximity, don't you?"

Such a question misses the point, for it is not the Soviet military which finds itself in the role of the supervisor of the production of the military hardware, but the economic bureaucracy.

Moreover, with or without privatization, the military hardware will always be allocated to the military as the property of the nation-state, that is, as a so-called public good.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

others is the bureaucracy of the soviets. The reason is simple. Glasnost and perestroika have touched the Soviet branch of state power the most. In many republics and in some cities, non-communist delegates have been elected to positions formerly headed exclusively by the members of the Communist Party of the Soviet Union. The resulting ambiguity and confusion have greatly loosened even that weak link to the process of production of goods and services which the "old" soviets had.

Thus, the aforementioned chairman of the Moscow soviet openly admits that:

> ... the fact that democrats have come to power does not mean that they possess anything. I must honestly tell my constituency that in reality I have no power, that I give orders to nobody. I cannot apportion a building, secure safety of private stores, I cannot do many other things ["Kak Vyiti Iz Krizisa," 21 October, 1990, p. 7].[7]

Directness Versus Roundaboutness

In the question of proximity, the second set is a derivative of the first. It can be reduced to the problem of directness versus roundaboutness: within the *economic* bureaucracy, which is the closest to the process of the creation of the national wealth, how directly are its particular ladders involved in the supervision and control of the process?

Clearly the lower a layer of the economic bureaucracy is, the more directly it is engaged in the actual procedure of production and allocation. Hence, in terms of directness, the petty economic bureaucracy might be ranked first. It is equally obvious that the higher a stratum of the economic bureaucracy, the less directly it is involved in the real process of production and distribution of goods and services. Thus, with respect to directness, the oligarchical part of the economic bureaucracy

7. Popov, of course, underestimates the role of the soviets. There are still a few things that they can do in the field of economics. As Gumbel reminds us, in a country of chronic and widespread shortages rationing is one of these things (Gumbel, December 7, 1990).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

is the most remote from the immediate process of production as compared to all other ladders of the economic bureaucracy.

The Meaning of Denationalization

The third issue of proximity is related to the essence of denationalization. It has been stated earlier that there must be a direct correlation between the proximity of the possessor of the national wealth to the process of production and his inclination for denationalization. The importance of denationalization to the entire process of Soviet economic reforms renders it necessary to delve into the meaning of the concept.

The term "denationalization" has a negative connotation. It means "remov[ing] from ownership or control by the national government" [*Webster's New Collegiate Dictionary*, 1979, p. 300]. The positive message which the notion carries remains undefined. This is understandable because the positive meaning of the concept depends solely on the socio-economic conditions under which denationalization is implemented.

For the existing Soviet situation, denationalization in its negative sense entails a simple act. It is the removal of the national wealth from the ownership and possession by the *all-union*, *central* government, or, in our terminology, by the Moscow bureaucratic oligarchy. On the other hand, multiple positive goals of the Soviet-type denationalization can result.

First, there can be territorialization, or the transfer of pieces of the national property held within the territory of the present-day Soviet republics and localities from the all-union bureaucratic ownership and control to:

1. The bureaucracy of the union republics, or union republican territorialization
2. The bureaucracy of the autonomous republics, or autonomous republican territorialization
3. The bureaucracy of the provinces within the republics (union and/or autonomous), or regionalization
4. The bureaucracy of the districts (and/or cities) within the regions, or communalization

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

But the all-union pyramidal bureaucratic structure is replicated at the lower administrative scales. Therefore, in terms of *territorialization*, the vertical-horizontal rules of the bureaucratic possession vis-a-vis possession and of the direct relationship between the proximity of various horizontal and vertical bureaucracies and their desire for legal and actual ownership might also be applied to those lower than the all-union administrative ladders.

Second, there can be privatization in the proper sense, or the placement of pieces of the national wealth into the ownership and possession of private individuals and corporations. The term "privatization proper" needs an additional explanation. Who are these private individuals and what are these corporations that will become the ultimate owners and possessors of the pieces of the national wealth, the sum of which is presently controlled by the all-union, central bureaucracy?

Obviously, they could be *insiders* of the pyramidal system (that is, bureaucrats themselves). In this case, from the point of view of the previous analysis, the lower a certain bureaucratic layer within the vertical hierarchy and/or the closer it is to the process of production of the national wealth, the stronger has to be its voice for privatization.

But here a psychological element must be added. One should not discount the fact that the loudness of the voice for privatization will depend also on the propensity of the bureaucratic ladder to take a risk of changing its status from that of the more or less riskless possessor to a more or less risk-taking owner. It is clear that the more risk-averse the bureaucrat is, the less will be his inclination to jump into the unknown waters of proprietorship.

Or the private individuals might be *outsiders* to the pyramidal structure. The outsiders, in turn, can combine two groups of economic agents.

The first group could include the nonbureaucratic elements of the Soviet population. Since the group does not belong to the circle of the current possessors (who in totality comprise the class of owners), the attitude of the bureaucracies toward

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

these outsiders must be diametrically opposite than that to the would-be actual owners from the ranks of the bureaucracies-possessors. The lower the bureaucracies are in the hierarchial structure and the nearer they are to the production process, the more resolutely they might be expected to oppose the privatization of the national property.

Non-Soviet citizens belong to the second group of the outsiders. In this case, privatization of state property could imply its acquisition by foreign individuals, corporations and/or governments.

Foreigners might participate in the ownership of the Soviet means of production either as sole proprietors or in cooperation with Soviet partners.[8] At present, foreign participation overwhelmingly takes the form of joint ventures with state enterprises.[9]

As long as joint ventures with foreign firms promise the infusion of hard currency into the Soviet economy, those bureaucracies which will be able to benefit from such arrangements can be expected to resolutely promote them. These are the bureaucracies of Soviet enterprises (that is, the petty economic bureaucracy) and also the bureaucracies of those organizations to which the enterprises are subordinated and with which the enterprises will be obliged to share their hard currency earnings (that is, all other layers of the predominantly economic bureaucracy). The vertical and horizontal ladders of the bureaucracy that are unable to gain from such an association with foreigners might grow increasingly resentful

---

8. One of the numerous decrees issued recently by the current Soviet President, Gorbachev, authorizes the establishment of "100% owned enterprises in the Soviet Union ..." (Rubinfien, November 5, 1990). The word "current" is used here not by a simple coincidence. The present position of Gorbachev is such that, by the time this paper is published, the office of presidency will either be abolished or some other political figure will occupy it.

9. They, however, have had a very insignificant influence on the ownership relations in the country. Thus,

> ... by mid-1989, 360 joint venture agreements had been reached, with only 110 of them actually in operation. Total foreign investment in these ventures had reached only several tens of millions of dollars (Tarasulo, ed., 1989, p. 73).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

about the whole procedure.

The Periphery of the Modern Soviet Socio-Economic System

The above description of the current Soviet socio-economic system embraces only its *state* sector as the core of the Soviet structure. Within this framework, the analysis of the would-be-process of privatization has been linked exclusively to the process of denationalization, to the parceling out and dismantling of the *existing* state ownership of the means of production.

Although still rather embryonic, since 1987 there have appeared activities which are peripheral, marginal and *parallel* to the activities of the state and party bureaucracies. We refer to such small-scale enterprises as cooperatives which are privately owned and profit oriented [Schnitzer, 1991, p. 276],[10] though still collectivist in theory and practice. Since these activities have been designed not to be substitutes for but complements to the prevailing state activities, they have brought a new social dimension to the concept of privatization.

---

10. That cooperatives occupy a very marginal economic position in the Soviet Union can be seen from the following statistics for 1988:

a. While the total number of employed in the economy was equal to 129.5 million people, those who were working for the cooperatives amounted to 1.4 million people, or close to 1.1 percent (Gosudarstvenniy Komitet SSSR po Statistike, 1989, pp. 42 and 178)

b. While the gross national product (in the Soviet calculation) was estimated at 866 billion rubles, the volume of the produce realized by the cooperatives was 6.1 billion rubles, or 0.7 percent (ibid, pp. 5 and 178)

In addition to the cooperatives, there are also two types of private activities. The first is so-called Individual Labor Activity. It legalizes some regular services provided by the Soviet underground economy by "allow[ing] people to work in their off-hours at such tasks as taxi driving, carpentry, and language teaching with the permission of the state" (Tarasulo, ed., 1989, p. 72. On the comparison between the Western- and Soviet-type underground economies, see also Dallago, 1989, pp. 447-462).

The second is agricultural plots of the state land which have been privately farmed for decades. Both, however, have served (the first, mostly illegally; the second, legally) as the auxiliaries to the state system, as pillars necessary for its maintenance. They are an appendix to the Soviet structure and, as such, they do change it but perfectly suit it. They, therefore, might be considered as an organic part of the hierarchial pyramid we have discussed earlier.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Let us outline and explain this new detail of the Soviet socio-economic life.

In the relationship between the traditional state sector and the private sector emerging *outside* it, various layers of the bureaucracy now have to confront an owner which is an outsider to the dominant socio-economic structure. The emergence of the private proprietor, marginally yet independently operating outside the state pyramidal structure, must undoubtedly challenge the authority of the bureaucracy.

The attitude of the bureaucracy toward the new class of cooperators and of the latter toward the bureaucracy cannot be simple but must rather be very complicated. Let us see why this is so.

In the case of the bureaucracy, two main reasons contribute to the complexity of its view about the cooperators. The first one is social. The heterogeneous structure of the bureaucracy prevents the latter from working out a unified outlook about the new cooperative phenomenon. The closer a particular horizontal and/or vertical wing of the bureaucracy is located to the process of production of goods and services, the more it can benefit from the activities of the private sector. The stronger, therefore, must be the inclination of the bureaucratic layer to enter into "friendly" relations with the cooperative movement.

What are the benefits the bureaucracy may expect from the emerging class of cooperators? These are centuries old simple kickbacks which various bureaucratic factions might extort from the cooperators. The cooperatives need material inputs which are possessed by the petty and, in some instances, middle levels of the economic bureaucracy. And, as Winiecki suggests, "[t]he story does not end here. A bureaucrat ... *may* extract ... a bribe for a concession to set up a private industrial firm, or to open a restaurant or a repair shop" [Winiecki, April 1990, p. 205].

At the same time, the higher in the pyramid a certain bureaucratic wing is, the further it is from the cooperative movement and the less chance it has to benefit materially from the cooperatives. Therefore, the stronger will be its tendency

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to treat cooperatives as a foreign body threatening the entrenched power of the bureaucracy and challenging its way of life. In other words, at the level of the bureaucratic oligarchy, whose interest is the country as a whole against the rest of the world, the relation is turned around. The bureaucratic oligarchy, although it has no direct personal stake in the cooperatives, needs them to improve the Soviet economy in general and, therefore, to enhance its own position in the world.

The second cause for the lack of a uniform view of the cooperatives lies in human psychology. "[T]aking bribes is a criminal act" [Winiecki, 1990, p. 206]. But bureaucrats are people, and as such they have various degrees of courage and entrepreneurship. It is clear that those who are close to cooperatives and who are more courageous and entrepreneurial might be expected to gain more and be more supportive of the cooperative movement than those who do not possess such qualities.

As for the cooperators, in their dealings with various layers of the bureaucracy they are torn between two contradictory sentiments. On the one hand, they must resent the hierarchial state system which makes them dependent on bureaucrats and which, as a result, curtails their private activities. But on the other hand, they cannot but welcome a system which creates shortages and hence makes them indispensable monopolists in their trade. This might sound paradoxical, but with such a mixture of feelings, it is hard to imagine that the present-day cooperators would wholeheartedly embrace the privatization of the Soviet nationalized economy.

The Ground of the Modern Soviet Socio-Economic System

Those Soviet people who belong neither to the bureaucrats nor to the cooperators constitute the foundation of the Soviet structure. This nonbureaucratic, noncooperative part of the Soviet population is comprised of blue- and white-collar workers and peasants employed by both the class of the bureaucracy (predominantly) and by the new class of the cooperators (marginally).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The regular Soviet man, who, under Soviet conditions owns just one of the productive resources, labor, and who provides services when employed either by the bureaucrat or by the cooperator, is not concerned and probably not aware of the problems of the intricate relations within the bureaucracy.

The common Soviet man rarely deals with the bureaucratic layer above that of the petty bureaucracy. In his capacity as a Soviet citizen, he needs to have the internal passport. So he has to deal with the military (militia) petty bureaucracy of the place where he lives. As a resident of a particular location, he is required to have a residence permit. Hence, in addition to the petty bureaucrat of the militia he deals with the petty bureaucrat of the local soviet. As an employee, he must carry a labor book which is kept for him by the petty economic bureaucrat or cooperator who hires him. And as a consumer he buys consumer goods and services for cash from the petty economic bureaucrat or the cooperator, who sell it to him in retail stores, restaurants, and other service establishments.

Prior to the advent of the cooperatives, the common Soviet man in his everyday life depended completely on the various fractions of the petty bureaucracy. He envied the latter for their power and life-style and resented them for the illegal character of that power and life-style. Illegal, because the common Soviet man strongly believed in the "socialist" ideas of equality and brotherhood preached by the bureaucracy.

In the emerging class of cooperators, the common Soviet man sees one more *addition* to those powers which are already exploiting him. In his eyes, the phenomenon of cooperators is a result of the plot by the petty bureaucracy to legitimize the illegitimate aspects of what is seen as the otherwise legitimate petty bureaucracy. For it must be remembered that, while the common Soviet man is perfectly aware that the petty bureaucrat is constantly involved in the illegal activities, the bureaucrat himself as long as he is a bureaucrat is considered to be legitimate. The common Soviet man in his life has known no other system of relations than the bureaucratic system which he calls "socialism." Hence, the common Soviet man is likely to regard any act of privatization as an attempt by the petty

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

bureaucrats to buy out pieces of the national wealth which only recently were considered to be the property of the public in large. And thus, for the common Soviet man, the most visible elements of practical privatization, the cooperatives, are the ominous signs of what might happen if the state means of production were privatized and taken into the hands of the petty bureaucracy. This is because cooperatives are blamed on such negative phenomena (which appeared within an extremely short period of time) as chaos, disorder, growing shortages, speculative prices, and the conspicuous and ostentatious wealth of the nouveau riche.

A very interesting statement about this matter is provided by Leontief. In his interview to *Novoye Russkoye Slovo* he said the following:

> As far as I can see from afar, entrepreneurship in the Soviet Union has just begun to function. But who are the entrepreneurs over there? These are speculators and pushers. It is not surprising, because if the economy is in great disarray, then the easiest way to make money is through speculation. When in the [Soviet] Union the cooperatives were allowed, this immediately created the wave of speculation and, as a result, discontent of the masses.
>
> The enrichment, the excessive enrichment of certain individuals and the pauperization of others are inevitable during the transitional stage ["Podozhdiem Sem' Liet," December 7, 1990].

The short-term attitude of the common Soviet man toward private activities has so far been broadly negative, for, in his mind, private entrepreneurship has been associated with speculation and worsening economic conditions of life. But what is true in the short run does not necessarily have to be correct for the long run. There is no doubt that the common Soviet man will have to be eventually persuaded that to increase the standard of living of the population, speculation

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

by everybody must be allowed.[11] Private activity must become a norm, not an aberration. The way to it is the dismantling of the state system and privatization of the means of production.[12]

But like everything in this strange Soviet world, the attitude of the nonbureaucratic and noncooperative part of the Soviet population toward denationalization in the form of privatization is just one side of the story. The other side is the view the ordinary Soviet people have with regard to denationalization in the form of territorialization.

For it should not be forgotten that the heterogeneity of the bureaucracy is matched by the heterogeneity of the Soviet people. We are not talking here about the obvious fact of the division of labor reflected in numerous professional activities of the nonbureaucratic and noncooperative portion of the population. We are pointing to the fact of the national, regional and local diversity of the Soviet people.

This additional component further complicates the problem of denationalization in the Soviet Union. As a result, two opposite tendencies find their way. One is the short run, and another is the long run.

Events occurring in the Soviet Union clearly indicate that republics, regions and localities want to territorialize the all-union property by taking its control from the center to their territories. In this process aimed not at privatization but at the national, regional and local decentralization of property relations, the interests of the republican, regional and local bureaucracies coincide with that of their populations. Here regionalism is backed by extremely strong, passionate and forcefully held centrifugal emotions of national, regional, and

---

11. In the same interview, in the tradition of the neoclassical school in economics, Leontief observes that "if there are twenty million speculators, they will start competing with each other. Then there will be the upsurge" ("Podozhdiem Sem' Liet," December 7, 1990).

12. To dispel any misunderstanding, this author wants to make it clear that he is against the 100-percent privatization of state property. On the author's view of the privatization process and how far it should go, see Raiklin, 1989, Monograph Number Twenty, pp. 35-71.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

local identity.[13]

But the hopes of those who seek regionalism may in some cases prove to be only short-term phenomena. Although supported by social forces such as ethnic identity, language, culture, and history, and accentuated by the current economics of shortages, such behavior is at odds with Adam Smith's Invisible Hand, for its economic goal is to keep scarce products within the region rather than let them go outside of it.[14]

That the regional bureaucries want to be a masters of their own regions and that the national groups within the Soviet Unions seek to be self-governing is understandable. However, this runs counter to the interests of the central bureaucracy as well as to the view that the way out of the current Soviet crisis is denationalization and intracountry cooperation. In the long run, the interests of the latter two groups can only be served by suppressing the desire for regional and national independence among local bureaucracies and populations.

Equipped with the knowledge of the main features of the socio-economic system at present existing in the Soviet Union, let us now turn to the three economic plans. However, since events in the Soviet Union are unraveling at cosmic speed, the author of this paper warns his reader about the inevitable lags

---

13. A Soviet contributor to *Novoye Russkoye Slovo* wrote with alarm about decentralization and the movement for national freedom at the end of 1990:

> Only one year ago the mass movements in the union and autonomous republics were exhaustively described by the phrase 'national-democratic.' Today [the words] 'national' and 'democratic' are more and more moving away from each other leaving space to the ugly phenomenon of the authoritarian nationalism (Davydov, December 14, 1990).

14. Gumbel writes about the outcome of such regional policies on Moscow and Leningrad:

> Big cities such as Moscow and Leningrad that used to receive priority allocations of food under the old system of central planning no longer do. Instead, numerous regions throughout the nation are starting to refuse to give what they produce to [central] government bureaucrats....
>
> One elderly mother of 10 children ... is exultant about such changes. "At last justice is being done," she says ... "For years we had nothing and Moscow had everything. Now it's the other way around" (Gumbel, December 7, 1990).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

– schematic and temporal – that will effect the views expressed here.

The Social Context of the Economic Proposals

The three economic plans put on the table in October of 1990 were the one proposed by Stanislav Shatalin, a leading Soviet economist; the one by Nikolai Ryzhkov, the Soviet prime minister; and, finally, that by Mikhail Gorbachev. It is the latter's plan which was actually offered to and endorsed by the Supreme Soviet. However, we will discuss all three proposals, for without such a discussion no understanding of the current struggle within the country is possible.

Each program leaves an impression of a desperate attempt to find a way out of the socio-economic mess the Soviet Union has placed itself in in recent years. The three plans intend to preserve the Soviet Union as one country. They put various degrees of stress, however, on the relations between the center of the country and its provinces. As a result, each project puts a different emphasis on how to solve the problems of the contemporary Soviet Union.

It is not the task of this paper to delve into the technical details of the programs or into the proposed stages of their fulfillment. Our goal is to discern the *social* meaning and the *political* possibility of the implementation of each proposal in the framework of the social structure described above. But, in discussing the social context of the plans, let us first assume that each proposal *can* be implemented.

The Shatalin Plan

This is the most radical proposal on how to revitalize the Soviet economy. The plan envisions drastic socio-economic measures to transform the Soviet Union into a modern mixed capitalist economy within five-hundred days.

The major thrust of the Shatalin program is a far-reaching denationalization of the Soviet economy on the basis of the decentralization of the Soviet Union into a confederation of sovereign states. According to the proposal, it would be up to the governments of the union republics to put into practice the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

process of privatization not just regarding its speed but (what is more important) regarding 'whether particular state enterprises will be privatized at all.

It is interesting to note that there is no guarantee that the highest hierarchies of the national republican bureaucracies, which will become the owners of economic resources on their territories, will carry out the plan of territorialization to a point of privatization. The process of decentralization in the form of territorialization might well stop at the union-republican level.

Such a possibility is very real. Further decentralization from the union republican level could be slow or even resisted because many republics are in turn comprised either of autonomous republics or of some other administrative units, and these lower administrative units, in turn, are subdivided even further. The bureaucracies of the lower national- and administrative-territorial units would probably demand that productive resources located in their territories belong to them, thus stripping the bureaucracies of the national republics of their newly acquired proprietorship rights.

Privatization down to individuals and corporations might also be resisted. There would be a widespread suspicion that pieces of the republican and regional property might eventually find themselves not in the hands of the native people but in the hands of outsiders, be they Soviet citizens or foreigners. The post-colonial period in the life of many developing countries clearly points to this direction.

If the process stops at the union-republican level, then the problems characteristic for the administrative-command system of the entire country will be simply moved down to and reinforced at the levels below that of the all-union.[15] And while the Soviet Union will break down and cease to exist,

---

15. In an interview to an unofficial publication *Ekspress-Khronika* [The Express-Chronicle] reprinted by *Novoye Russkoye Slovo*, a Soviet economist also sees such a danger of the administrative decentralization. He points out that "the 'Shatalin's' version of the transition was destroying the old administrative economic ties not replacing them by the market links" ("Programmy Est'! V Nikh Rynka Tol'ko Niet ...," November 20, 1990).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

each of its former parts in turn would become a union-republican entity.

If the lower administrative levels of the union republics are strong enough to force the process of territorialization further down, then the procedure of disintegration of the entire country will replicate itself within the smaller national and territorial units.

Given such a scenario, on whose behalf would the project have spoken had it been accepted and implemented? First of all, on behalf of the upper national-republican bureaucracies (supported in the beginning, as it was shown earlier, by their population). It is no coincidence that the Shatalin proposal has been warmly embraced by governments of union republics, and especially of the biggest one, the Russian Federation.[16]

The Shatalin plan was met with despair by all those central bureaucracies of the country that, in their desire to retain the political union and at the same time to go on with the economic reforms, are willing to make concessions to the union republics and have little to lose from such a surrender. These are predominantly central economic ministries whose enterprises would remain under the central government control, such as transportation, communications, energy, and others. In other words, these are those central economic ministries which, according to the plan, would retain their control over 30 percent of the country's industrial enterprises and 20 percent of the country's construction, transportation, retail, and services.[17]

---

16. Thus, "the Russian Federation officially launched its own radical 500-day plan for transition to a market economy ... [because] the plan claims great powers for the republican government ..." (Rubinfien, November 5, 1990). And this is despite the fact that the plan was rejected by the Supreme Soviet of the country.

17. The Shatalin approach is perceived by its political critics as irresponsible. Heibroner is cited as saying that "Shatalin is an economist ... but economists are always ready to take a great risk, because they actually bear responsibility for nothing" (Repnin, November 15, 1990). But any blame can also be directed on something else: on the remaining secretive nature of the Soviet system. Thus, when asked how realistic is the possibility of the program's implementation, Grigory Yavlinsky, who participated in drafting of the Shatalin program, revealed that "its authors worked by and large in the dark not having any complete information about the financial status of the state" (*Ibid*).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Ryzhkov Plan

From the point of view of those central bureaucracies which regard the political preservation of the Soviet Union as more important than its economic revival and that have a lot to lose from the decentralization procedure proposed by the Shatalin plan, the latter had to be rejected. This especially refers to the central party, ideological and trade union bureaucracies, the bureaucracies of the Gosplan, the bureaucracies of the central ministries responsible for the huge military-industrial complex, the central bureaucracies of the KGB and the military.

The Ryzhkov plan is at once the negative response of these central bureaucracies to the Shatalin proposal and their positive view of the future of the Soviet Union. Two key words might be applied to the Ryzhkov project: the extreme *caution* in carrying out economic reforms, on the one hand, and *denationalization* primarily in the form of decentralization within the existing structure of the state ownership of the means of production (including the land), ministerial system, and central planning, on the other. Whatever deterritorialization and privatization measures are proposed, they are of a rather marginal character and include predominantly light industry, retail enterprises and services, leaving the real economic power of the main economic resources, heavy industry and agriculture (the so-called "commanding heights") primarily in the hands of the central Moscow bureaucracies.

Despite its apparent sobriety, the Ryzhkov plan is no less naive and desperate than its Shatalin counterpart. While the Shatalin plan might lead to the disintegration of the Soviet Union as a political entity – without any guarantee for privatization, for the creation of free markets or for the revitalization of the economy – the Ryzhkov plan might serve to preserve the Soviet Union, but only as a third-world and backward country, because the continuance of its agonizing centrally run administrative-command system would be

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

guaranteed for the foreseeable future.[18]

The Gorbachev Program

The Gorbachev plan, called "The Main Directions for Stabilization of the People's Economy and the Transition to a Market Economy," is an attempt by the central bureaucracies to reconcile the extremes of the Shatalin and Ryzhkov proposals. Quite correctly assessing that each plan might ruin the Soviet Union either politically (the Shatalin program) or economically (the Ryzhkov program), the Moscow central bureaucracies decided to fuse these proposals into one. The intent is to achieve the best of the two worlds: to conserve the Soviet Union and to make its economy less shortages-ridden through the privatization and creation of markets.

But usually it is a foregone conclusion that when someone tries to reconcile irreconcilable differences, he can expect results even worse than if either of the original plans were implemented.

So far as the Gorbachev plan is very vague on the rights of republics, regions and localities, it raises more questions than answers about the relations between the center and the provinces. The matter has not been helped by the draft Union Treaty concretizing those provisions of the Gorbachev plan which define the future of the Soviet Union as a multinational and multiregional state.

The Wall Street Journal comments on this ambiguity created by both the Gorbachev plan and the draft Union Treaty. In the "Shatalin" way,

> [t]he draft Union Treaty has a conciliatory sound. It would legitimate the 'sovereignty' that the republics already have declared and give their laws priority except in areas reserved for the central government. They would have the right to own property, collect taxes and run their own budgets... ["Review & Outlook: Gorbachev's Guns," November 27, 1990].

---

18. On the summary of the problems created by the Stalinist model of management of society, see, for instance, Raiklin, 1988, vol. 15, number 7, pp. 11-12.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

So the central bureaucracies, forced by the realities of Soviet life, are willing to share their power with the national and regional bureaucracies. But the possibility of the central bureaucracies' decision's becoming an actuality raises two questions.

The first pertains to the timing. When will the legitimation of the power sharing happen? Since the Gorbachev program sets no timetable for its implementation, it allows the central bureaucracy to retain its economic and political power indefinitely. This component of the Gorbachev project, while serving the interests of the central Moscow bureaucracies, would condemn the Soviet Union, in a "Ryzhkov" manner, to economic stagnation and backwardness.

The second question might be formulated in the following way: If and when the final timetable is agreed upon, to what extent will the center give up its power and delegate it to the provinces? Rubinfien emphasizes the legitimacy of this question:

> [Gorbachev's] presentation left unanswered the two questions integral to the economic and political survival of the country. What will be the role of the central ministries in running the nation's economy; and how will power and property be divided between the central government and the republics [Rubinfien, November 19, 1990]?[19]

It would be futile to expect a firm answer to these questions. The central bureaucracies will not give up their power

---

19. The above mentioned item in *The Wall Street Journal* tells us about the mistrust that the Soviet republics have about the plan and the draft:

> The republics smell another Gorbachev dodge, a carefully crafted document designed to grant the republics the trappings of sovereignty while reserving for the central government all powers that really count. The Kremlin would continue to control the military, central banking, foreign trade and foreign policy and would have joint control, with the republics, of just about everything else of any importance, such as finance, energy, gold and diamonds, social security and national taxes ("Review and Outlook," November 27, 1990).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

voluntarily unless forced to do so. On the other hand, the territorial and national bureaucracies are in no mood to surrender the existing economic and political rights they won in exchange for the vague promise of power sharing. Moreover, the provincial bureaucracies, in their struggle with the central bureaucracies, want weak central bureaucracies whose power emanates from outside of Moscow and not the other way around.[20] The "Shatalin-Ryzhkov implementation" of the Gorbachev plan could, therefore, lead the country to a stalemate and to economic and political tragedy. For when the rules of the game are not clearly defined and even disputed by the players, the game cannot be played.

Prospects for the Reforms' Implementation

So far the discussion about the social context and consequences of the programs has been made on the assumption that they can be implemented. Let us now see whether such a supposition is plausible.

Each plan makes provisions for denationalization, both in the form of territorialization and in the form of privatization; and for unemployment and inflation. Hence, despite the fact that the specifications for the degree of harshness of such measures in terms of their effects on peoples' lives and for the level of the safety net for the disadvantaged members of society vary from plan to plan, each plan needs a strong central government to be carried out.

The need for a strong government is recognized even in a country like Hungary, with a much more homogeneous

---

20. As Rubinfien observes,

> ... republican leaders ... criticize the center for grabbing powers from the top rather than having them delegated from the republics.
>
> "Some people believe that if power is strengthened and law and order are secured, everything will be all right," Armenian President ... told ... last week. "It is an illusion. In such a case, the center will face the serious resistance of the republics because sovereignty is already real for us (Rubinfien, November 26, 1990).
>
> [Note that on page 33 the author considers the possibility of Communist Party and Red Army involvement, which is of course relevant here. - Ed.]

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

population than the Soviet Union and with a long experience and exposure to private property. Thus, Kornai writes:

> Only a strong government can implement the economic [reforms] .... Many of the tasks ahead require strength and toughness. The government must quell, within its own ranks, the insolence that hinders the development of the private sector. It should firmly implement the fiscal and monetary policy ... and secure financial and wage discipline [Kornai, 1990, p. 206].

The dictum that the means to solve the socio-economic and national problems facing the modern Soviet-type systems are *political*, not economic, is especially true and urgent for the Soviet Union. Unfortunately, after almost six years of perestroika and glasnost, such a political government does not exist. This is because at present the Soviet Union is a collation of shortages;[21] of growing nationalism, regionalism, and separatism;[22] of the political groups and parties emerging which, in turn, are being continuously divided into subgroups and subparties; of escalating chaos and anarchy;[23] of growing

---

21. Here is an example of the situation with food and some other items in one of the Soviet cities, Perm, as described by Gumbel:

> Police say the latest crime wave here involves people breaking into houses to steal food. The shelves of state-owned stores have never been emptier, while food prices at the farmers' market are soaring as much as 10%' a month. In July, hundreds of enraged smokers rampaged through the streets to protest tobacco shortages (Gumbel, October 26, 1990).

22. An editor of a leading Soviet newspaper complains about "the economic ties ... being cut by the growing waves of separatism ..." (Sokolov, September 12, 1990, p. 11).

23. That the situation in the country is extremely grim and actually out of control can be seen from the writing of an intellectual, who, because of his position, is supposed to defend and welcome democracy and freedom:

> ... all those "freedoms" which we have achieved ... have uncommonly disgusting muzzle.... [there is] chaos, anarchy, the country is not working, crime is becoming insolent....
>
> If one arrives at the notion that everything in our country, even the most noble undertaking, takes on ugly contours, then one is forced to come to a profound and terrible conclusion. People who have been raised in slavery, in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

apathy and distrust of government;[24] and of a jealous hatred for private property by the majority of the bureaucracy as well by the rest of the Soviet population.[25]

The country has been paralyzed by the internal struggle for power and for the pieces of the state pie between various vertical and horizontal layers of the bureaucracy. The core of this struggle lies in the infighting within the party bureaucracy between its center and its republics and regions, on the one hand, and within the republics and regions, on the other. This intraparty battle has been gradually destroying the old chain of command by simply diluting and localizing it, without introducing any new structure in exchange.[26]

---

swinishness, in humiliation should have not been given democracy at once (Govorukhin, December 4, 1990).

24. According to "Ekspress-Khronika," the elections to the Leningrad Soviet which took place on December 7, 1990 ended without result. Reason? A very low participation by the voters: only 20 percent of the registered voters came to vote (Ekspress-Khronika, December 22-23, 1990).

Novoye Russkoye Slovo informs us that the Soviet newspaper *Izvestiya* has recently published a result of the poll conducted by the All-Union Center for the Study of Public Opinion. The poll shows a steady decline of confidence among the Soviet population in the three major political institutions: the Army, the KGB, and the Communist Party ("SSSR: Doveriye K Vlasti Neuklonnon Padaiet," December 15-16, 1990).

25. It is because of this unhealthy jealousy toward those who are trying to make or who have made it, that Soviet society has found itself in the position of a dog in the manger. The movement to material prosperity is paralyzed because everyone enviously hinders everybody's activities.

But as a Soviet economist who is a strong defender of the free market reminds us:

> There is no other way out - only such a society can be prosperous which provides all the conditions necessary for the prosperity.
>
> [So] [d]o not envy the rich! What is vicious is not wealth but laziness, infirmity and ignorance. Vicious are those conditions that produce and reproduce poverty. Vicious are those people who all their life live like dogs in the manger. Vicious is an ideology which elevates poverty into virtue (Piiasheva, December 7, 1990).

26. This author believes that the reader is not confused and does not find a contradiction between the earlier assertion about the dominant role still played by the Communist Party and the latter's declining position in the society because of the internal struggle. Each statement is not a substitute but rather a complement to the another.

Sokolov, the editor of the Soviet newspaper, makes in this respect a very profound observation:

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Let us repeat, therefore, that the crux of the matter under the circumstances is not a program and its quality, although, of course, without a clear course of action no successful change can take place. The problem is in the entire social and political climate prevailing at present in the country.[27] No matter how good a program is, it cannot be implemented within the current Soviet political system.

Popov, the Chairman of the Moscow Soviet, who is himself a former prominent Communist Party member, makes this point clear:

> I want to say that it would be a great mistake to think that the complete restructuring of our life can take place within the [political] frame of the current Soviet system, the basic features of which were laid down in 1917. This political system is the same heritage of the past as the administrative economy. Now, for example, a struggle is widening around the state property - to whom and on what conditions will it belong in the end? Can you imagine how strong here will be both a clash and a resistance of various forces? ... what is

---

... what forces are able today to withstand the disorganization of the national economic complex of the USSR?

Once upon a time, the mightiest force of this type was the administrative-command system. Its remnants still continue to control the economy of the country, but the republican links of the system energetically, before everyone's eyes, grab from the center the control over property, while, in spite of this, retaining it as the state-bureaucratic property ... at the republican level. In the process of disintegration, the [administrative-command system] is being transformed from a consolidating force into almost a main destructive force which pulls apart the economic complex along the regions, the republics, in order to conserve the old structure in "the provinces" (Sokolov, September 12, 1990, p. 11).

27. Sokolov, who as an editor of one of the most influential Soviet newspapers is in charge of its social and economic department and who, therefore, knows what he is talking about, confirms this view:

> ... the key conditions for the transition to the market - stability, law and order in the country. Yet nobody has said ... *how* to guarantee these conditions.
>
> [Thus] [t]he central question today is not a program but the socio-political situation in the country (ibid).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> necessary is a mechanism of a powerful administrative coercion. But where is such a mechanism [Kak Vyiti Iz Krizisa, October 21, 1990, p. 7]?

Popov does not answer the question. But he clearly points out the direction in which a search should be conducted: outside the present political administrative-command system of a declining totalitarianism.

Yet, the central bureaucracy is still in the control of the army and KGB. In the show of force between it and the provincial bureaucracies, which are growing stronger, the clash between the two seems inescapable.

However, it looks more and more probable that if a crackdown takes place, it will be the last one within the framework of the administrative-command system. For, while there can be no doubt that the bureaucracies of the republics and regions will be hit hard, the problems this strike will intend to solve will probably worsen.

This is because the two forces which were holding the multiracial and multinational U.S.S.R. together, fanaticism and fear, are in the process of a rapid decline. The six years of perestroika and glasnost have had their impact. The process can no longer be reversed. On the contrary, a crackdown could simply speed it up.

As a consequence, in the resulting political vacuum a new power could emerge. This would be the "Decembrist" part of the army – and, probably, of the KGB – which would seek to restore central control and to prevent the break up of the Soviet Union as a single state through political authoritarianism.[28] Law and order could be achieved through political authoritarianism, and this might make possible a meaningful and concrete (not just a general) discussion about the economic programs and their most important elements, such as the price and monetary reforms. Some believe that the country might

---

28. An outline of possible developments which might lead to the transformation of Soviet society to a free market economy was made by the author in Raiklin, 1989, *The Journal of Social, Political and Economic Studies*, Monograph Number Twenty.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

then be able to implement privatization and territorialization proposals which would move it on the road to a free market economy and economic prosperity. But others, such as the liberal Vladimir Sokolof, believe that a military coup d'etat could go either way – it could be led by a younger generation of officers who would favor economic reform, or it could yet be headed by forces seeking to preserve the declining totalitarian regime.[29]

---

29. Such an idea is not a product of a speculative mind. The notion, albeit in not so explicit a way, has been steadily winning its place in the Soviet Union as well. Here are some examples:

> Petrushenko, a colonel in the Soviet Army and a leader of the group of the Supreme Soviet's deputies called "Soyuz" [Union], tells the following to the interviewing journalists (as reported by a Soviet correspondent to the *Novoye Russkoye Slovo*):
>
> There must be created a Committee of the National Salvation which will concentrate in its hands the entire supreme authority, putting an end, therefore, to the activities of all other authorities that are leading to the disintegration of the Soviet Union. Petrushenko has expressed a great interest to the experience of Chile, declaring then: 'We will create a strong [political] power and we will move toward the market. As Peter and Demidov ...' (Leontiev, December 8-9, 1990).

A "liberal" Sokolov is more cautious. He presents two scenarios of the military takeover. In the first, it is conducted by forces attempting to preserve the administrative-command system of declining totalitarianism. He, however, prefers the second scenario where the military takes power in order to destroy the status quo:

> ... it is cheaper and safer to make that military coup d'etat, with which for two years politicians and newsmen have frightened each other, thus creating a fever among the Soviet population....
>
> [There exist] a generation of officers and generals [for whom] a market is absolutely necessary. They need an economic reform. They already know about the army of the USA, for instance. They understand clearly that only a market economy will bring the necessary means and own technologies for a takeover.... they do not need the economic dead end, they do not want to vegetate in the humiliating and dangerous poverty as compared to the adversary, moving further ahead and higher.
>
> ... they would hardly agree with the disintegration of the Union which will destroy the [territorial] integrity of the Soviet Army, break the officers according to their nationalities, and somewhere will force to shoot at the yesterday's comrades-in-arms. And, therefore, at the dramatic moment of perestroika when it appears that the Motherland is in real mortal danger, this generation might obey the fatal order (Sokolov, September 9, 1990, p. 11).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

REFERENCES

Bialer, Seweryn
1990 "The Last Soviet Communist." *U.S. News & World Report*, Oct. 8, 1990.

Burlatsky, Fyodor
1989 "Brezhnev and the End of the Thaw: Reflections on the Nature of Political Leadership," in Isaac J. Tarasulo, ed. *Gorbachev and Glasnost.* Viewpoints from the Soviet Press. Wilmington, DE: Scholarly Resources Inc.

Dallago, Bruno
1989 "The Underground Economy in the West and the East: A Comparative Approach," in Morris Bornstein, ed., *Comparative Economic Systems. Models and Cases*, 6th ed. Homewood, IL: Richard D. Irwin, Inc.

Davydov, Victor
1990 "Rossiyskaiya Smuta. Po Materialam Informatsionnogo Agenstva Partiyi Demokraticheskiy Soiuz (DC-Inform). Vypusk 26" ["The Russian Disturbance. According to the Materials of the Information Agency of the Democratic Union Party (DU-Info). Number 26"]. *Novoye Russkoye Slovo*, December 14, 1990.

"Ekspress-Khronika" ["The Express-Chronicle"]
1990 *Novoye Russkoye Slovo*, December 22-23, 1990.

"Excerpts From Gorbachev's Economic Program"
1990 *The New York Times*, October 17, 1990.

Fedorenko, N. P.
1988 *Ocherki Politicheskoy Ekonomiyi Sotsializma* [Essays on Political Economy of Socialism]. Moscow: "Nauka."

Gelman, Alexander
1989 "Time to Assemble Forces," in Isaac J. Tarasulo, ed., *Gorbachev and Glasnost. Viewpoints from the Soviet Press.* Wilmington, DE: Scholarly Resources Inc.

Gosudarstvenniy Komitet SSSR po Statistike. Informatsionno-Izdatel'skiy Tsentr [The State Committee of the USSR on Statistics. The Information-Publishing Center]
1989 *SSSR v Tsifrakh v 1988 godu. Kratkiy Statisticheskiy Sbornik* [The USSR in Figures in 1988. A Short Statistical Collection]. Moscow: "Finansy i Statistika."

Govoruhkin, Stanislav
1990 "Smert' Kommunisticheskoi Partiyi Otkladyvaietsia" ["The Death of the Communist Party ... Has Been Postponed"]. *Novoye Russkoye Slovo*, December 4, 1990.

Gumbel, Peter
1990 "Resisting Reform. Soviet Town Shows How Hard It Will Be To Install Free Market. Perm's Economy Is Paralized By Fear and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Confusion, And Old Ways Die Hard. An Entrepreneur Is Crushed." *The Wall Street Journal*, October 26, 1990.

Gumbel, Peter

1990 "Soviet Ingenuity Is Filling the Food Gap. Shortages Are Greeted by Cynicism, Not Panic." *The Wall Street Journal*, December 7, 1990.

"Kak Vyiti Iz Krizisa" ["How to Overcome the Crisis"]

1990 *Moskovskiye Novosti* [Moscow News], number 42, Oct. 21, 1990.

Keller, Bill

1990 "Gorbachev Offers His Plan To Remake Soviet Economy, But Includes No Timetable. Aim Is a Free Market. But Compromises Draw Criticism by Backers of Bolder Policies." *The New York Times*, October 17, 1990.

Keller, Bill

1990 "Gorbachev's Economic Plan Approved." *The New York Times*, October 20, 1990.

1990 "Soviet Plan In the Middle. With His Caution on Economy, Gorbachev May Find Political Center Is a Whirlwind." *The New York Times*, October 18, 1990.

Koriagin, A. G., and I. V. Loginov, eds.

1977 *Politicheskaiya Ekonomiya. Tom 3: Sotsializm - Pervaiya Faza Kommunisticheskogo Sposoba Proizvodstva* [Political Economy. Volume 3: Socialism, the First Phase of the Communist Mode of Production], 2nd ed. Moscow: Izdatel'stvo "Mysl'."

Kornai, Janos

1990 *The Road to a Free Economy. Shifting from a Socialist System: The Example Of Hungary*. New York: W.W. Norton & Company.

Lenin, V. I.

1974 "The Immediate Tasks of the Soviet Government," in V. I. Lenin, *Collected Works*, 4th ed., trans. by Clemens Dutt, ed. by Robert Daglish, vol. 27. Moscow: Progress Publishers.

Leontiev, Mikhail

1990 "Komitet Internatsional'nogo Spaseniya?" ["A Committee of the National Salvation?"]. *Novoye Russkoye Slovo*, December 8-9, 1990.

Liiasheva, Larisa

1990 "Umom Poniat' Rossiiu. Monolog 'Rynochnogo Ekstremista'" ["To Understand Russia by Heart. The Monologue of a 'Market Extremist'"]. Reprinted From *Ogoniek*, Number 44, by the *Novoye Russkoye Slovo*, December 7-8, 1990.

Passell, Peter

1990 "The New Soviet Plan. Gorbachev Counsels a Prudent Revolution." *The New York Times*, October 21, 1990.

"Podozhdiem Sem' Liet" ["Let Us Wait for Seven Years"]

1990 *Novoye Russkoye Slovo*, December 7, 1990.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"Programmy Est'! V Nikh Rynka Tol'ko Niet ..." ["We Have Programs! The Problem Is That There Are No Markets In Them ..."]
1990 *Novoye Russkoye Slovo*, November 20, 1990.

Raiklin, Ernest
1989 "After Gorbachev? A Mechanism for the Transformation of Totalitarian State Capitalism Into Authoritarian Mixed Capitalism." Washington, D.C.: *Journal of Social, Political and Economic Studies*, Monograph Number Twenty.
1988 "The Soviet Union in Transition (The Question Is Open to Discussion)." *International Journal of Social Economics*, vol. 15, number 7. England: MCB University Press Limited.

Raiklin, Ernest, and Charles C. Gillette
1988 "The Nature of Contemporary Soviet Commodity Production," in Ernest Raiklin and Charles C. Gillette Socio-Economic Issues of Today's Soviet Union. *International Journal of Social Economics*, vol. 15, number 6. England: MCB University Press Limited.

Repnin, C.
1990 "Katastrofa Vsego Lish Otsrochena" ["The Catastrophe Has Only Been Delayed"]. *Novoye Russkoye Slovo*, November 15, 1990.

"Review & Outlook: Gorbachev's Guns"
1990 *The Wall Street Journal*, November 27, 1990.

Rubinfien, Elisabeth
1990 "Gorbachev, Under Pressure, Proposes Radical Shake-Up. Plan Would Abolish Post of Prime Minister, Give Republics a Larger Role." *The Wall Street Journal*, November 19, 1990.
1990 "Gorbachev Unveils Treaty Defining New Soviet Union. Leaders of Many Republics Criticize the Structure; Easy Approval Unlikely." *The Wall Street Journal*, November 26, 1990.
1990 "Non-Communist Parties in Soviet Union Find Early Unity Is Giving Way to Suspicion, Disarray." *The Wall Street Journal*, October 19, 1990.
1990 "Soviet Public Stands By, Baffled, As Reforms Are Imposed Bit by Bit." *The Wall Street Journal*, November 5, 1990.

Schnitzer, Martin C.
1991 *Comparative Economic Systems*, 5th ed. Cincinnati, OH: South-Western Publishing Co., College Division.

Sokolov, Vladimir
1990 "Razmyshleniya o Variantakh Nashego Blizhnego Budushchego. K Rynku - pod Prikrytiem Armii?" ["Reflections on the Variants of Our Near Future. To the Market - Under the Cover of the Army?" *Literaturnaya Gazeta*, Number 37 (5311), Sept. 12, 1990.

"SSSR: Doveriye K Vlasti Neuklonno Padaiet" ["The USSR: Confidence in the Authorities Is Constantly Declining"]
1990 *Novoye Russkoye Slovo*, December 15-16, 1990.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Tarasulo, Isaac J., ed.
1989 *Gorbachev and Glasnost. Viewpoints from the Soviet Press.* Wilmington, DE: Scholarly Resources Inc.

Winiecki, Jan
1990 "Why Economic Reforms Fail in The Soviet System - a Property Rights-Based Approach." *Economic Inquiry*, vol. XXVIII, number 2, April 1990.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE SOVIET POLITICAL UPHEAVAL OF THE 1980's: THE CASE OF MOLDAVIA

Nicholas Dima
Visiting Scholar, James Madison University

If the beginning of the 1980's was a period of stagnation and decay for the Soviet Union and of resignation for the average individual, the end of the decade was one of political upheaval and dramatic changes. Confronted with a crisis of confidence, the USSR embarked on unprecedented reforms. Gradually, the country has become unrecognizable. Scholars will long argue whether the changes were triggered by *perestroika* or whether the decay itself compelled Gorbachev to change Moscow's policies. It is probably safer to say that the Soviet crisis of the early 1980's convinced Gorbachev that the only way out was a total restructuring of the system. However, *perestroika* was perceived as a last chance and many Russians and non-Russians grabbed it. So did the Moldavians who in only a few years dared to state publicly their true Romanian identity. Yet, the new policy has led to uncontrollable consequences, and Moldavia has been no exception.

From Moldavia to Moldova

The struggle for nationhood took off slowly in Moldavia, but it appears that once in motion nothing could stop it. It started timidly with environmental complaints, moved to linguistic issues, and ended with courageous political demands. 1989 became the year of truth, when the "Moldavians" stood up for themselves by the hundreds of thousands, reclaimed their traditions, their language, and proclaimed loudly "We are Romanians." It is hard to say whether the Moldavian intelligentsia was wise when it described their grievance simply as "language and alphabet," or whether this double issue just came naturally. The truth is that one thing led to another and once "Moldavian" was no longer written in the Cyrillic script, it became automatically Romanian. Once the language was Romanian, the so-called Moldavian nation vanished like a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ghost.[1]

It was only in March 1989 that Moldavian intellectuals managed to print *Glasul*, the first magazine using the Latin alphabet. The first issue was printed in Latvia because the communists opposed its printing in Moldavia. The appearance of the 60,000 copies of the magazine in Moldavia was described by a prominent Moldavian leader as causing an indescribable euphoria and the longest line in the history of the *Spatiul Mioritic*. Only a Romanian can understand this expression which refers to the Daco-Romanian ethno-cultural space. The magazine was published as a special edition of the *Dacia* Society of the Moldavians living in Latvia. Dacia is the old name of Romania before the Roman conquest. The front page featured a painting of Eminescu, maybe the most Romanian symbol ever, as well as the Column of Infinity by Brancusi, a Romanian from the south west of the country who worked most of his life in Paris. The content of the magazine, authored by some of the best Moldavian writers and leaders as well as by average citizens recounting their horror stories under Stalinism, touched every Romanian heart and opened a new era.[2]

The truth is that the script meant a lot more than writing to the Romanians. During the language debate, for example, *Literatura si Arta* published a letter from a woman from Cahul in southern Bessarabia whose grandfather died while deported to the Arctic Circle. According to the letter, he wrote his last words in the Latin alphabet, carving on the bark of a birch tree: 'Here I had to breathe my last – 1942." The woman said that her family had guarded this "inscription with Latin characters as its most sacred possession– its written will."[3]

When the Cyrillic script was changed to Latin, all of a

---

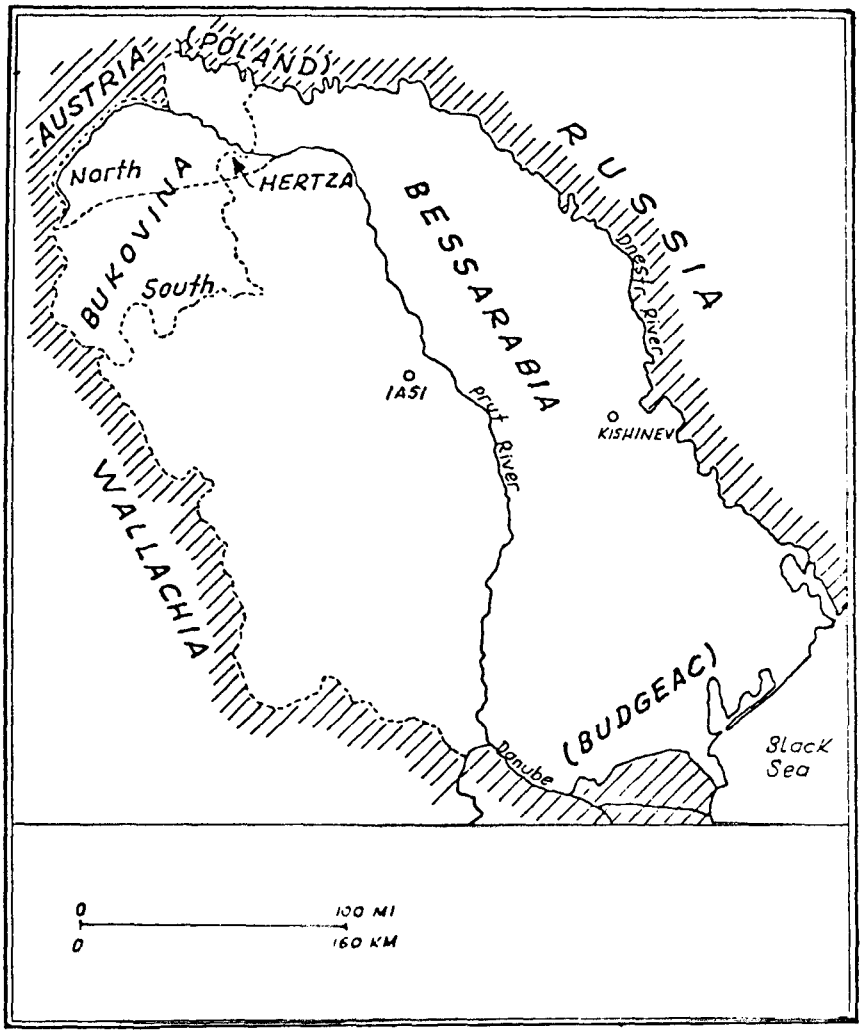
1. "Confession in Moldavia: They Speak Romanian," *The New York Times*, 25 February 1990; "Moscow Confronted with New Ethnic Problems – Moldavia," *The Washington Post*, 1 February 1989; "Anti-Russian Sentiment Spreads in Romania," *Izvestiya*, 25 February 1990.

2. *Glasul*, No. 1 , 15 February 1989.

3. Dan Ionescu, "Soviet Moldavia: A Breakthrough in the Alphabet Issue," *RFE Research*, 15 March 1989, p. 4.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

HISTORIC MOLDAVIA



LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

sudden everybody discovered that the Moldavians were in fact pure and simple Romanians. Nevertheless, it took decades of mute struggle, a favorable historical moment, and a lot of courage to reinstate the language. After all, it wasn't an alphabet question, but one of national identity; an identity which propelled the Moldavian Romanians onto a new historical stage.

If the beginning was rather timid, the end was tumultuous. By early 1989 several democratic organizations already existed in Moldavia. Most prominent among them were the Mateevici Club and the Moldavian Democratic Movement. The Mateevici Club was named after a prominent Romanian priest and poet renowned among other things for his poem "Our Language," and focused on ethnic and cultural issues. The Democratic Movement was patterned after the Baltic movements and stressed the need for social, economic and political reform. There was also the Green Movement which focused on the environment, the League of the Unemployed, the Democratic League of Students, the Society of Historians, the Moscow-based Moldavian Cultural Association, as well as others. These organizations held public rallies almost every Sunday. They came to know each other and on May 20, 1989, following a special meeting in Kishinev, founded the Moldavian Popular Front.[4]

It is estimated that the Front has a membership of close to a million people. The organization is led by an executive committee and has grassroot branches throughout Moldavia. The Front has become by far the most important political force in Moldavia, and for the time being probably the most important Romanian organization in the world. At the beginning of 1989 the Front was able to call up rallies in Kishinev attended by tens of thousands of people. By mid-summer attendance increased to almost a million.

The entire year was in fact an uneasy struggle between the communist authorities, to a large degree abandoned by

4. See among others *USSR: Moldavia*, News from Helsinki Watch, April 1990.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Moscow, and the daring demands of the people. When the requests for public rallies were denied, the Front went ahead and held them anyway. When they were officially allowed, the demands of the people would always go further. In the process, both the communists and the leaders of The Front learned the rules of the new Soviet game. What nobody learned, however, was the limitations of this new game. This question remains unanswered.

After forty years of anti-Romanian repression, the new generation of Moldavians appeared somehow confused. It was in March, though, that at a rally of 100,000 the protesters dared to show the Romanian flag for the first time. Then, despite a downpour, on June 25 another huge rally denounced the 1939 Ribbentrop-Molotov Pact which led to the Soviet annexation of Bessarabia and Northern Bukovina from Romania. The crowd carried such placards as "June 28 – A Mourning day for Moldavia," "Down with Neocolonialism," "Down with the Communist Mafia." The largest rally, however, was unauthorized and occurred on August 27. Although the rally chiefly pressed the language question, for the Moldavians it was their grand national assembly and it meant everything they were struggling for. The local KGB estimated the crowd as about 750,000 people, but the organizers claimed one million. It was in fact a sea of people, a sea of Romanian flags, a sea of slogans; a combination of quiet determination, restrained nationalism, and of belief in God. The participants also sang "Wake up, Romanians," which is Romania's national anthem, and which was adopted by the Moldavian Popular Front as its anthem. "Today or Never" was a common sign at this major event, and summed up the general feeling. The rally became officially known as "The Grand National Assembly." The same name was given by the Romanians to their historical rallies of Blaj in 1848, of Putna in 1871, and of Alba Iulia in 1918. They described it as "the sublime becoming in time and space of the Romanian people."[5]

---

5. *Marea Adunare Nationala*, 27 August 1989 (Chisinau: Oferta, 1989); *Glasul*, No. 3, April-August 1989; *Izvestiya*, 29 August 1989.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Finally, in October of the same year, the Moldavian Popular Front was officially recognized, and it entered a period of legal struggle as an equal with the Party. But the communists would not yet yield power. Thus, the anniversary of the Bolshevik Revolution provided the reason for another anti-governmental rally and for more specific demands. The Moldavians were dead serious in their determination to stop the traditional military parade, which they considered an insult to their dignity. They did manage to stop the parade, but the intervention of the brutal KGB led to bloody violence. The special troops of the Interior Ministry beat the Moldavians savagely while shouting that the beatings were for the Romanian language and alphabet. In their fury, the Moldavians set the KGB building on fire and attacked the official tribune. The communist leaders fled in panic. It was the end of the communist monopoly on power. Only days later the First Party Secretary, Simion Grossul, was replaced with Petru Lucinski, a Moldavian brought back from Central Asia. This time, however, the Moldavians no longer settled for the new concessions, and there was no end to their demands.[6]

As long as Romania remained under Ceausescu, Moscow had little reason to worry about Moldavia. The Moldavian Romanians might have rejected the Soviet system, but they had nowhere to go. Nevertheless, the December 1989 Romanian Revolution changed the picture completely and confronted Moscow with a difficult dilemma. The Moldavians reacted with unbound enthusiasm and gave important quantities of food, clothes and blood as aid to their brothers in Romania. They were also ready to form volunteer units and go to Bucharest to fight the secret police. On December 30, several thousands Moldavians rallied again in Kishinev and for the first time some speakers called for reunion with Romania. Their enthusiasm cooled only when they realized that the new leader of Romania was Gorbachev's protege, and that the communists managed to stay in power in Bucharest. But the "Berlin Wall"

6. Personal VOA Radio interview with Iurie Rosca, currently President of Moldavia's Popular Front.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

which had separated the Romanian nation for over four decades along the Prut river began to crumble.

1990 began with cautious optimism. For the immediate future, the Moldavians had to sort things out, to prepare for the parliamentary elections and even for governing. For the medium course, they had to improve the economic, cultural, and environmental situation in the republic. For the longer term, they had to figure out how to get closer to Romania without triggering Soviet reprisals. But the new Romanian leadership of Soviet Moldavia rose again to the importance of this historical moment and started to prepare for the new elections.

The local elections of March 1990 gave the Popular Front direct or indirect control over two thirds of the Moldavian parliament. Although there were a number of complaints about the election, the Front managed to elect some of its best members and to acquire control over most of the parliamentary commissions. Petru Lucinski, the new secretary of the Communist Party, tried to court the Front, but without success. He was useful temporarily as a replacement for Grossu, but the people did not forget that he had been a russified Party activist in charge of propaganda, who did considerable damage to the Moldavians. Moscow and the Party trusted him, but the people did not.[7] His efforts to become president failed. The parliament instead named Mircea Snegur, a respected Moldavian Romanian, and later appointed Mircea Druc, a highly qualified intellectual, as prime minister. The events that followed came as a quick chain reaction and it scared both the Russians living in Moldavia and Moscow as well.

On June 6, numerous Romanians on both banks of the Prut River, which separates Soviet Moldavia from Romanian Moldova, organized an unique manifestation which they called "The Bridge of Flowers." They announced that on that day they would cover the river with a bridge of flowers and would cross it to meet their brethren regardless of official attitudes.

---

7. *Glasul*, No. 11, 6 September 1990; Letter sent to RFE Romanian Desk from Bessarabia, published in *Micromagazin*, November 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The authorities opposed the idea, threatened reprisals, but eventually budged and officially opened 12 crossing points. It is estimated that up to a million relatives, friends and peers crossed the Prut on that day and symbolically united again the Romanian lands. Various witnesses described the ensuing euphoria as beyond description. There were brothers and sisters separated for more than four decades tearfully embracing each other. There were people carrying large signs with the names of their lost relatives; there were reunited families crying with joy; and there were mourning people beyond consolation. Above all, there was a new stage in the history of this land and more determination than ever to change the course of history.[8]

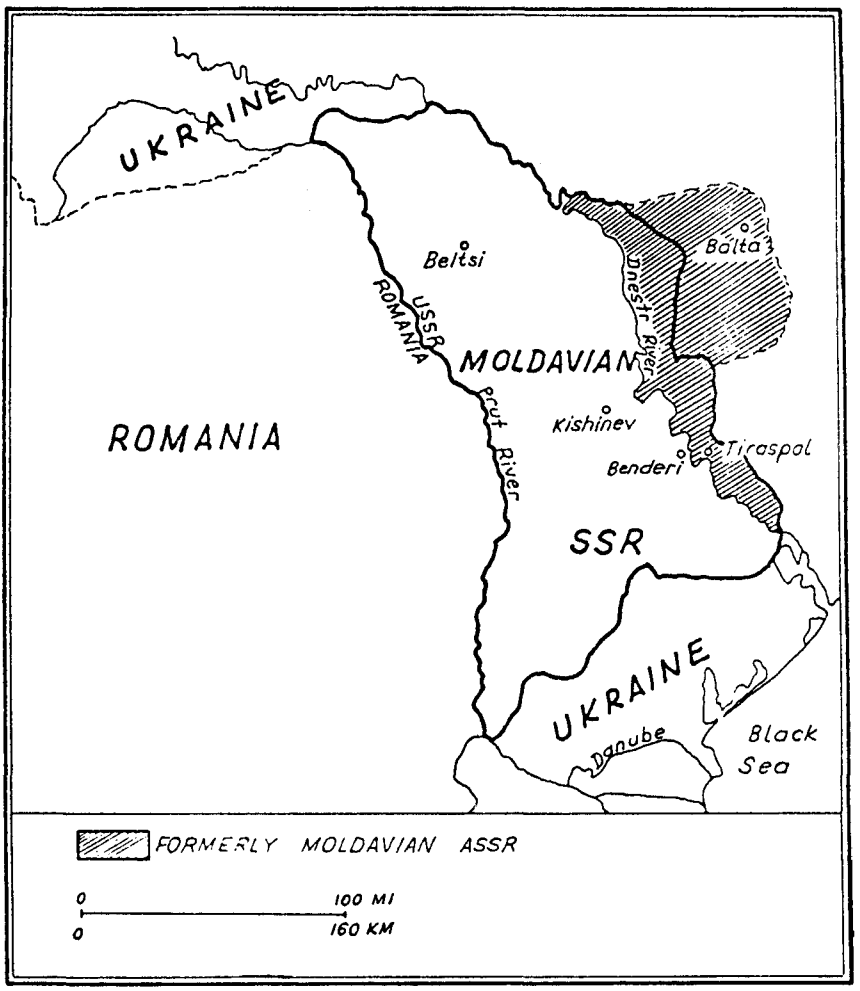
During the same month the newly elected Moldavian Parliament changed the name of the republic to the Romanian spelling of Moldova, adopted the Romanian tricolor flag, and declared its sovereignty with future independence in mind. It also adopted a series of new laws and declared the supremacy of its laws over the Soviet laws. It took ownership of all its resources and embarked on a course of economic reform. It also adopted laws for Moldavian citizenship, foreign policy, a new financial system, and a new attitude toward the Soviet military. The Parliament also adopted an amendment specifying that only Soviet laws and decrees ratified by the republic are valid in Moldavia. Moscow declared promptly that the amendment violated the Soviet Constitution.[9]

By themselves, laws and even constitutions do not automatically change much. Moldavia's Constitution of 1978, for example, had rather beautiful provisions. According to Article 68, Moldavia was already a sovereign state, and Article 69 gave Kishinev the right to leave the Soviet Union. More important for the current situation, according to Article 70, Moldavia's territory could not be changed without its consent.[10] What is

8. "Romanians, Soviet Moldavians Mix at Border Bridge," *The Washington Times*, 25 June 1990; Also various Moldavian and Romanian publications.
9. UPI, AFP and Radio Moscow reports, broadcast by Radio VOA on 26 July 1990.
10. *Moldova Socialista*, 21 March 1978.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE MOLDAVIAN SOVIET SOCIALIST REP.



LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

new, however, is that for the first time in history most Soviet republics appear bent on applying the laws. Moldavia was the first state entity, for example, to officially recognize Lithuania's independence. And while the Government is more cautious, Moldavia's Popular Front is pioneering new ground. The leaders of the Front and of the Ukrainian Popular Movement, for example, met for the first time for bilateral negotiations without any regard for Moscow. Moldavia aims at reintegrating its territory, part of which is now under Ukrainian administration. The two delegations acknowledged that they do have a problem, but they also agreed not to let Moscow drive a wedge between them.[11] Needless to say, Moscow feels the heat, reacts with a combination of fury and restraint, and is pinning its hopes on the much discussed new union treaty.

Russian Reaction to Moldavia's Independent Course

While the future of the Soviet Union is in doubt, the present is better known. When Mikhail Gorbachev embarked on the course of reform, he did not foresee the possibility of the ethnic disintegration of the country. Therefore, whereas in the beginning Moscow encouraged reformist trends, later it became alarmed and took a reactionary position. Moscow rejected Lithuania's declaration of independence, and also rejected Moldavia's new trend. The truth is that Moscow came under increasing criticism and pressure from the millions of Russians living outside the RSFSR, who saw their positions threatened. From the dominating majority in the USSR, those Russians became members of minorities scattered throughout the union. The ethnic balance was changing, and for real or perceived reasons everybody became alert.

As a matter of fact, scientists know that ethnic consciousness is generally latent everywhere. "But it is only realized when groups feel either threatened with a loss of previously acquired privilege or conversely feel that it is an opportune moment

11. Personal VOA Radio interview with Iurie Rosca, the chief of the Moldavian delegation at the Kiev meeting; Viadimir Socor, "Moldavian and Ukrainian Movements Confer," *RFE/RL Daily Reports*, No. 197, 16 October 1990.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

politically to overcome long-standing denial of privilege... Furthermore, ethnic consciousness, being a political phenomenon, is a form of conflict. The conflict needs not be violent to be sure, though of course it often is."[12] It is exactly the current situation in the Soviet Union. The Russians living at the periphery of the Union feel threatened, and the non-Russians sense their unique chance. Members of both camps appear bent on fighting with whatever means they have at their disposal. Therefore, unfortunately for the Kremlin, and fortunately for Kishinev, the situation in Moldavia is far from unique. It simply reflects a new stage in the history of the USSR, and perhaps in the history of Russia's expansion.

During 1989 and 1990, most of the Soviet Union's republics declared some form of sovereignty, and, equally important, they voted special laws promoting local interests. With the passage of every new law and regulation, the local Russian minority felt the loss of a certain privilege. The Russians were confused and puzzled because many of them favored perestroika as well, but they did not like its unexpected consequences. As a result, the Russians organized their own associations, with the internationalist movement "Yedinstvo" becoming the most prominent. From the start, however, they faced an unsolvable dilemma. If they favored the process of democratization brought about by perestroika, they had to give up many privileges and adopt a behavior acceptable to the local non-Russian majority. If they rejected perestroika, they had to stick to the old communist symbols and values, or switch to the old imperial Russian policy, or else enter a period of confusion. To a large extent, these are actually the main alternatives confronting the Soviet Russians today.

In Moldavia, and especially along the Dnestr River between Tiraspol and Benderi, the language law provided the spark which ignited the Russian reaction. The law was in fact rather flexible. It gave the non-Romanians over five years to

12. Immanuel Wallerstein, "The Two Modes of Ethnic Consciousness: Soviet Central Asia in Transition." *The Nationality Question in Soviet Central Asia*, ed. Edward Allworth (New York: Praeger, 1973), pp. 168-169.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

learn the language. At the end of this time, the law required all public servants to be able to answer in the language they would be addressed in. In fact, the law required more a willingness to learn the language than a good command of it. Nevertheless, the Russian opposition was extremely strong. Thousands of them went on strike in various industrial cities, and Tiraspol on the left bank of the Dnestr became their center. The Russians incited other non-Romanians, especially Ukrainians and Gagauzi, to protest against the new trend in the republic. While the Ukrainian minority was somehow divided, the small Gagauz minority organized by "Gagauz Khalky," sided from the beginning with the Russians and demanded cultural autonomy. Allegedly, they wanted to preserve their language and ethnic rights. Yet, they demanded to keep Russian as the official language! That puzzled the Moldavians. Ironically, with the ascent of the Moldavian Popular Front and the adoption of the Romanian language, some extremist Russians cursed, insulted, and even labeled the Moldavians as fascists. The atmosphere became tense.[13]

The Russian reaction in Moldavia was typical, but reflected a new Soviet reality and possibly the prospect of more instability and conflict. In Lithuania, for example, Moscow threatened that if this republic wanted to go its own way, it would have to surrender to Russia its main sea port of Kleipeda. In Estonia the situation became even more similar to Moldavia. First, Russian immigrants refused to learn Estonian. Then, in the northeast corner of the republic around the highly Russified cities of Kohtla-Jarve, like in the Tiraspol- Benderi region of Moldavia, the local Russian legislators announced that the language law passed by Tallin was not applicable to them. Futhermore, the same Russians declared their intention of becoming an autonomous region or even break away from Estonia.[14]

The new situation appears to defy easy solution. While

---

13. "Tiraspol Strikers' Grievances Discussed," *Izvestiya*, 28 August 1989, also *FBIS*, 29 August 1989.
14. Priit Vesilind, "The Baltic Nations," *National Geographic*, November 1990, pp. 14-22.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

some Russians seem willing to fight for their privileges, others are bewildered and beaten. There are new signs, for example, that at least some Russians have had a change of heart in Moldavia. They now attend special classes for adults to learn Romanian, very much like the English classes for new immigrants in the United States. Also, as never before, many Russian parents have begun to send their children to Romanian kindergartens. At the same time, some of the Moldavian publications have started to carry numerous ads put in by local Russians who want to swap their apartments with other apartments in the RSFSR.[15] The situation of the Russian immigrants is even worse in the predominantly Moslem republics of the Soviet Union. The *Washington Post* of November 2, 1990 reported, for example, that numerous Russians already have begun to leave the fertile Fergana Valley of Uzbekistan. The same paper announced that the Russian minority of the Tuva Autonomous Republic of Central Asia is considering leaving the region after some of their houses were set on fire and a few Russians were murdered.[16]

Ethnic Russians in Russia proper and maybe in exile, appear more willing to compromise and to embark on a road to democracy. The renowned exiled writer Alexander Solzhenitsyn published an article in the prestigious Soviet journal *Literaturnaya Gazeta* advancing the idea of breaking up the Soviet Union along ethnic lines. He suggested that Moscow should give up all the peripheries from the Baltic to Moldavia and Central Asia, and concentrate instead on a new Slavic state made up of Russia, the Ukraine, Byelorussia, and northern Kazakhstan. The Ukrainians, however, are seeking their own independence, and consequently some Russians suggest that if the Soviet Union breaks apart it will not break into only 15 republics, but probably into 40 different states.[17]

---

15. "Language Law Stirs Pride and Anger in Moldavia," *The New York Times*, 7 October 1990.
16. "Russians Return from Fringes of One Expansionist Empire," *The Washington Post*, 7 October 1990.
17. "Soviets Publish Solzhenitsyn Call for Slavic State," *The Washington Post*, 19 Sept. 1990; "Group Calls for Ukrainian Independence," *The Washington Post*, 29 October 1990.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

As a matter of fact, it seems that the massive Russian population living in eastern and southern Ukraine, including the Crimean peninsula and the seaport of Odessa, is also threatening to declare its own independence if the USSR breaks apart. Whether such a territory is viable or acceptable is of no concern to the Russians. Such a hypothetical country, nevertheless, will reach into eastern and southern Moldavia, and it could grab a little land from this small republic. This is a possible explanation for the current stubbornness of the Russians wanting to split from Moldavia and declaring a separate Dnestr Republic, and for the Gagauzi who are instigated to do the same thing in southern Moldavia. Another more plausible explanation of the Russian and Gagauz opposition to Moldavia is that Moscow is manipulating the two groups to compel Kishinev to accept the new Union Treaty of the USSR. In either case, the old Russian imperial dream appears to live on at least in the minds of some people.

The Dnestr Republic and Gagauzia?

The Russian and Gagauz minorities in Moldavia declared their regions independent in August 1990, which aggravated the inter-ethnic conflict. The ensuing crisis immediately showed two things: the depth of the Russian rejection of the new trends in the USSR, and Moscow's schemes to keep Moldavia by any means inside the new Union of the so-called Sovereign Socialist Republics.

The Gagauz separation has no important economic consequences for Moldavia, but it is politically unacceptable. Furthermore, it is worth mentioning that even in the little-developed rural region of southern Moldavia where this minority of about 100,000 lives, the Gagauzi make up only 47 percent of the population. In addition, only a handful of people are fully active in the process of separation. For example, in a show of protest against the attempt, two of their writers turned in their Party membership cards. They were against secession. Also, understanding the danger of playing to the Russian interests, a Gagauz leader called for a solution consistent with Moldavia's territorial integrity. Such people

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

realize that Moldavia has established very liberal national policies, and that further demands are unfair and could backlash.[18]

The possible secession of the Tiraspol-Benderi region is a different story. It is worth mentioning that besides dividing the previous Romanian lands between Soviet Moldavia and the Ukraine in 1940, and recombining them in a confusing way, Moscow also adopted other measures in order to make a future remedy close to impossible. Thus, while most of Moldavia's agricultural resources and population were located between the Prut and Dnestr Rivers, the main industry was built on the left bank of the Dnestr. The power plants, for example, are located there, and the Russian minority controlling the region began to threaten to cut off electricity to the rest of Moldavia. The heavy industry is also located there, and again any regional strike affects the entire republic and can easily sabotage Kishinev's plans for economic reforms. The supply of raw materials and minerals from the rest of the USSR can also be cut off by the Russians who control the Dnestr bridges. Indeed, several strikes and acts of sabotage took place in this region during the summer and fall of 1990.[19]

The first real collisions, however, occurred in October and November 1990 when the Gagauzi and the Dnestr Russians held their referenda and theoretically split from Moldavia. The Moldavian parliament declared their acts illegal, but it could not stop them. While sensing that certain circles in Moscow were manipulating these minorities, the Moldavian Government appealed to President Gorbachev to clarify his position on the territorial issue. Instead of expressing a clear attitude, Moscow continued to make efforts to split Moldavia's leadership and accused it of causing the crisis. Kishinev reacted with anger and determination. Moldavian nationalism

18. Vladimir Socor, *RFE/RL Daily Report*, No. 197, 16 October 1990, and No. 221, 20 November 1990.

19. "Tiraspol Strikers' Grievances Discussed," *Izvestiya*, 25 August 1989; "Russian Minority Considers Cutting Electricity to the Rest of Moldavia," *The Miami Herald*, 4 November 1990.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

reached another climax, and this time the people and their leaders acted together. The President of the republic Mircea Snegur and Prime Minister Mircea Druc declared that Moldavia was in danger. They appealed to their compatriots to organize voluntary detachments and to be prepared to defend Moldavia's integrity and sovereignty. Furthermore, in a clear show of solidarity, the leadership of the republic issued Resolution 407 which backed the initiative to fight and called for volunteers. The response was overwhelming.[20]

Thousands upon thousands of Romanians volunteered for the new special units. The first national army battalion called Tiras-Tighina came from the largely Russian speaking Dnestr region and was equipped with 26 vehicles purchased with donated money. And the battalion marched directly toward Komrat, the administrative center of the Gagauz area. For a moment, the situation appeared to get out of hand and there were signs of an imminent civil war. The special troops of the Interior Ministry of Moldavia refused to obey Kishinev's orders. Komrat and other Gagauz places were taken under the protection of the Soviet Army, which from the start fraternized with the Gagauz population. Unarmed and threatened with fire, the Moldavian volunteers turned their anger elsewhere. They destroyed every symbol of communism and of Soviet domination they came across. In their fury, more than 3,000 militants of the new Moldavian units took over two check points on the border with Romania. "If we are not allowed to defend our lands, we will unite Moldavia with Romania," said many of them. The scramble started and Moscow was puzzled.[21]

Interestingly, while Moscow denied any interference, the Moldavian volunteers took as prisoners a Soviet major, a

---

20. "National Army Battalion Set Up," Radio Moscow, 1 November 1990, also *FBIS*, 1 November 1990; "The River Prut," *Komsomolskaya Pravda*, 30 October 1990, also *FBIS*, 2 November 1990.

21. "Soviet Moldavia Declares Emergency as Turks Rebel," *The Washington Post*, 27 October 1990; "Post on Soviet Border Attacked by Moldavians," *The Washington Post*, 1 November 1990; "Moldavia Sees no Way out of Civil War," *The Washington Times*, 5 November 1990.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

lieutenant colonel, and a general. They were dressed as civilians but were armed and had with them detailed maps of the Gagauz area. Apparently, they were in the region to aid and incite the separatist movement. The Moldavian volunteers arrested and took the three Soviet officers to Kishinev for further investigations, and the mass media was informed about the incident. Strangely, for the first time ever, Kishinev's Interior Ministry sent a letter to the Moldavian Popular Front disassociating itself from the three officers who had come from outside.[22]

A few days later, the boiling events took a violent turn. In a show of support for the Gagauzi, the Russians tried to close the bridge near Dubossari on the Dnestr River. The Moldavians attempted to open the bridge by force. Allegedly, the militia and the troops of the Interior Ministry opened fire. Several persons were shot to death, and most if not all of them were ethnic Moldavians. Many others were wounded. President Gorbachev went on television and declared that the situation was very alarming, but still avoided defending Moldavia's integrity. In fact, he was pursuing his own goals. He wanted to make the Moldavians understand that the only place for their republic was within the USSR. Then, he could pose as their savior. But the old game could not mislead the Moldavian Romanians any longer. In desperation, the Moldavian Popular Front appealed to the international community for support and even "called for an immediate and unconditional secession from the Soviet Union and reunification with Romania."[23]

The local elections went on as intended in the Dnestr region. The Romanian population boycotted the elections and so did some of the Ukrainian villages in the area. The highly russified city of Tiraspol won the elections, but as expected, most of the elected deputies were Russian Party activists.[24] The results illustrate, indeed, the difficult Russian dilemma of

22. VOA Radio interview with Andrei Postovoi, Moldavian legislator.
23. "Six Killed in Soviet Moldavia," *The Washington Post*, 3 November 1990.
24. UPI and Reuters Reports broadcast by Radio VOA, 25 November 1990; *RFE/RL Daily Report*, No. 223, 26 November 1990.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

finding a place between communism, the new democracy, and the old imperialism.

The Uncertainty of the Future

Recent events proved in the eyes of the Moldavians that Moscow and the Russians were behind the plot to dismember Moldavia again. And in this time of need, Lithuania reciprocated and was the first to show its support. A statement issued by the Supreme Council of Lithuania, signed by President V. Landsbergis, protested openly against "the criminal policy of dismembering Moldavia."[25] The statement was broadcast the same day by Radio Bucharest, but the crisis had already triggered a long-awaited indignation and a series of public protests across the border in Romania. The tragic events brought to the surface a strong pan-Romanian solidarity and showed to the "Moldavians" who their real brothers and friends were.

Thousands of Romanians took to the streets in various Romanian cities. In Bucharest, the demonstrators marched to the Soviet Embassy and chanted: "Moscow, do not forget that Bessarabia is not yours; Bessarabia and Bukovina are Romanian lands; Long Live Great Romania," and others. Every Romanian publication took a tough stand against the Soviet Union and reminded readers of the old question of Bessarabia and Bukovina. The Romanian parliament went into an emotional and heated debate on the same topic and adopted a strong declaration of support for the Romanian blood brothers across the Prut River. The pro-Soviet government in Bucharest was more restrained, but the events made President Ion Iliescu take a stand as well. In an interview he gave to the French paper *Le Figaro*, he termed Bessarabia a Romanian land. In another interview given to Austrian television, the President spoke of the historic injustices done by both Russia and the Soviet Union against Romania, and of the well-known policies applied by Stalin in Bessarabia and Bukovina. Never-

25. *RFE/RL Daily Report*, No. 221, 20 November 1990.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

theless, in a vague way he said that the fate of these provinces "must be seen within the framework of all developments in the USSR."[26]

The last hope of President Gorbachev and his leadership to save a modicum of democracy and to keep the country together is the new Union Treaty. But the new treaty does not go far enough from the point of view of many non-Russians and actually does not offer a real choice. Besides, the three Baltic Republics and Gruzia have already stated that they do not intend to negotiate their independence. Lithuania's President even called it a trap, and others called it a cosmetic treaty. On November 30th, Gorbachev was supposed to arrive in Kishinev to address the legislators and to talk with the Moldavian intellectuals. A group of legislators decided to boycott him, and the Popular Front called for big demonstrations of protest. Eventually, the visit was canceled at the last moment. The night before, nonetheless, Gorbachev had stated publicly that he would never permit the break-up of the Soviet Union, and he labeled as troublemakers and adventurists all those with different opinions. He even cautioned the world that if any republic splits off from the union: "We will have war, real war, and one that would be terrible not only for the country but for the entire world."[27] Of course, Gorbachev does not want to break up the Soviet Union. Neither did Tsar Nicholas; nor did Lenin want to dismantle the old Russian empire.

And now, what can be said about the future when it is known that many times scholars do not even agree on what happened in the past? It is a time of tumultuous changes world-wide, and the Soviet Union is in turmoil. There is increasing talk of a new world order, and one European border has already been redrawn. The decade of the 1990's

---

26. "Iliescu interviewed on Moldavia, Nationalism," Vienna Television Service, 31 October 1990, also *FBIS*, 2 November 1990; "Romanians Demonstrate Supporting Moldavians, *FBIS*, 2 November 1990; *Le Figaro*, 23 November 1990.
27. "Gorbachev Cancels Trip to Moldavian Republic," *The Washington Post*, 1 December 1990); "Let the Baltics Go," *The Washington Times*, 30 November 1990.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

will certainly be tense, difficult, most likely violent, and with many risks of war. The Soviet Union might be able to transform itself into a loose confederation, or even into a kind of British Commonwealth. But it may end up in a bloody civil war with dangerous international consequences. To a large degree, it will all depend on the maturity, moderation, and wisdom of the Russian people.

Soviet Moldavia is now at a crossroad, and its destiny depends on its own determination to fight, on the future of the Soviet Union, on Romania, and on the new international situation. Perhaps it would be good to remember what the tsar's envoy, Danielevsky, wrote to his superiors in 1850. He "advised the Russian Government that the best and only satisfactory settlement would be to give Bessarabia to Romania."[28]

When Iurie Rosca, the young and energetic leader of Moldavia's Popular Front, visited the United States, he was often asked about the future. Calmly but convincingly, he answered that the unification of the Romanian people started a long time ago, but its accomplishment might take a little longer. He expressed no doubt, however, that the 21st Century would find all Romanians united under one flag, living in one country, democratic, and free of communism.[29]

---

28. Leonida Casso, *Russia to the Danube* (Moscow, 1913), cited in P. Cazacu, *The Truth about the Question of Bessarabia* (Bucharest: Cultura Nationala, 1926), p. 34.
29. Lecture at James Madison University, Virginia, 17 September 1990.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ON TEACHING DEMOCRATIC VALUES

Paul Gottfried
Elizabethtown College

The paleolibertarian Murray Rothbard tells of a conference on education that he attended with a number of self-described conservatives. Most of the participants lamented the leftist stranglehold on both public and higher education and stressed the need to end that situation. Some of those present related their discontents to the "lack of values" characteristic of our present educational system. The academic Left had taken over because the other side had failed to impose its values. Because of the alleged moral vacuum in American life, the Left had triumphed in public education as the bearers of value-neutrality. Thus if traditionalists wished to take back value-leadership in American education, it was argued, they too had to seize the initiative by fighting for control of educational bureaucracies.

Rothbard objected strenuously to this line of reasoning. There was no way, he insisted, that traditionalists, be they cultural conservatives or members of the religious Right, would displace the Left from those public institutions in which it was firmly entrenched. Indeed traditionalists, assuming they became public education administrators, would have to deal with those in power, from whom they would become progressively indistinguishable. Conservatives who intended to change education, Rothbard concluded, had to work to privatize schools, and to create their own institutions that would differ from those of the Left.

This argument, according to Rothbard, had less appeal among conservatives, however, than the rhetoric of values. I, too, had a chance to make a similar observation as a consultant to the Department of Education. Particularly when I agreed in 1983 to be acting director of a watchdog committee for the later reorganized National Institute of Education, I was struck by the fixation of my committee colleagues on implementing

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the "right" program and the "necessary" value. The administrative morass and gross inefficiency besetting public education, it was believed, could be removed, if the N.I.E. funded better educational research. Such research could then be "widely disseminated," bringing forth a groundswell of support for true reforms: Particularly phonic reading and the teaching of "Judeo-Christian values." Few if any of my colleagues questioned the appropriateness of having public administrators execute these reforms. What counted for them was the effective imposition of their values.

A conventional criticism of such attitudes from the Old Right is that they reveal an unjustified trust in the welfare state as a counterrevolutionary instrument. What evidence is there (in fact there is none) that the Department of Education and other agencies staffed by social engineering leftists will change their character, as soon as conservative programs and self-designated conservatives become associated with them? In the first Reagan administration, an Old Rightist Robert Curran became the head of the N.I.E. – and was almost immediately sacked after challenging that agency's *raison d'être*. His subordinates denounced him as a troublemaker to Secretary of Education Terrill Bell, and long after Curran had been unceremoniously dumped, they continued to badmouth him. Bureaucrats are protective of their own turf. Nor are they value-neutral, certainly not the ones I met in the Department of Education. In public pronouncements and in conversation with me, they spoke of fighting racism and sexism through global studies and value clarification. From 1980 through 1983 most of the research funded by N.I.E. was honeycombed with this jargon. And no attempt was made afterwards to replace the research directors who had awarded grants for clearly ideological projects. On the contrary, it was the non-leftists at N.I.E. whose heads rolled for failing to meet the expectations of their colleagues and superiors.

Such things are hard to alter. Max Weber in 1919 noted the correlation between modern democracy and the proliferation of a social service-oriented bureaucracy. More recently Theodore Lowi and Benjamin Ginsberg have outlined the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

emergence of a permanent American administrative state beginning with the presidency of Woodrow Wilson. Despite electoral interludes, Lowi and Ginsberg conclude, an irremovable class of public administrators, protected by civil service laws and their ties to elected officials, govern the country – and act as they please unless they offend newsmen and the media. It was, after all, his desperation about being unable to control the executive bureaucracy, especially the justice department, that caused Richard Nixon originally to turn to the "plumbers," long before Watergate. Reagan, needless to say, did not repeat this mistake; and though he appointed some authentic conservatives to high-level posts in the executive branch (e.g., Don Devine in O.M.B.), he also left them stranded in hostile bureaucracies. During his second term, Reagan turned to neoconservatives for leadership, most notably Bill Bennett. Such appointees talked about "values" while making no attempt to shrink their departments and even increasing the budgets of liberal subordinates.

Much of the educational debate now being carried on by "conservatives" centers on the same concern and only intermittently on a struggle against the expanding public control of educational and social questions. Not only is the public sector well entrenched in Washington but movement conservatives have come to depend on it. As Michael Kinsley notes in the May 27 *Washington Post*, those who came in the Reagan Revolution to assail the federal bureaucracy stayed to become part of it. The Department of Education since the Bennett years, the Department of Housing and Urban Affairs under Jack Kemp, the National Endowment for Humanities under Bennett and Lynne Cheney, and the United States Information Agency all employ Beltway conservatives, who absorb public largesse while grousing about liberal bureaucrats. Such people have been eager to change the conservative frame of discussion, from dismantling the welfare state to making government reflect their values. Fred Barnes' description of them as "big government conservatives" is only provisionally acceptable, for it must be asked whether the objects of this characterization are conservative in any sense, except as

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

bearers of a label by which they differentiate themselves from rival office seekers.

But the point here is not that slogans like "democracy" and "equal opportunity society" get invoked by politicians and bureaucrats on the make. That should be clear to anyone save Republican Party hacks and recipients of aid to dependent neoconservatives. What I wish to argue is less obvious: namely that the crusade for values in public education, even when engaged in without material motives, is, for conservatives, counterproductive. The reason is not only the necessity of having an inevitably leftist public sector collaborate in this crusade. Equally significant, the struggle over values that some conservatives seek to wage can only take place in an anti-conservative universe of discourse.

Nowhere is this more apparent than in debates involving conservatives on American education. Here the conservative value-position has become intertwined with particular phrases, "saving the humanities," "upholding democracy," and the "Western heritage." It is also imagined to be set forth in Allan Bloom's *The Closing of the American Mind* (New York: Simon and Schuster, 1987), a work vigorously recommended in *National Review, Policy Review, Insight, Human Events*, and other publications identified with the respectable American Right. But a look at the ideals intended for propagation by Bloom and other expositors of cultural conservatism reveals nothing of "the permanent things," but a world of Deweyite education-ism. Never mind that conservatives claim to despise John Dewey who substituted democratic socialization for an older humanistic ideal. It is Dewey and his disciples who provide the value-content of what today passes for conservative educational theory.

Yes, Bloom does prescribe the study of the classics, under the proper supervision; and yes, he scolds young people for taking acid and listening to rock music. But there is more to his brief. In *The Closing of the American Mind*, he speaks of the contamination of American higher learning caused by the "German connection." Anti-democratic Teutonic figures, particularly Nietzsche, Weber, and Heidegger, are destroying

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

liberal democracy taken as "the primacy of reason." It is the academy, Bloom insists, that must be in the forefront of the struggle for democracy and rationalism. But academics, who have succumbed to popularized Teutonic ideas, are making the general culture less, not more, resistant to anti-democratic forces. Meanwhile professors have ceased to demand for themselves the "special status" befitting the defenders of rationality. Liberal democracy, according to Bloom, can only flourish if the university has "an exemption from the ordinary moral and political limitations on what can be thought and said in civil society."

It has been observed with justification that Bloom praises democratic equality except in his own backyard. Indeed he tries to avoid inconsistency by saying more than once that the progress of equality presupposes academic privilege. Beyond this prevarication, however, an even more troubling problem presents itself for those looking at Bloom's view of the relationship between democracy and education. How can political theory, which Bloom equates with philosophy, move beyond the limitations of a democratic civil society when the only thought that he is willing to tolerate is of a "democratic" kind? He conceives of the university as an adjunct to the Enlightenment: a resource for teaching democracy and rationalism. Among its heroes should be the Anglophile French aristocrat Montesquieu, that defender of property holders John Locke, and the architect of the sovereign state Thomas Hobbes, all of whom Bloom reduces to enlightened thinkers who tried to give "political status to what Socrates represented." By some vague line of association, Socrates is made into a precursor of the Bloomian vision of the good life, a religion of democratic equality served by an academic priesthood with a special social status.

Allegedly because universities were not sufficiently dedicated to this project they fell prey to anti-democratic poisons. In the face of the "German missionaries and intermediaries" rampant in our culture, Bloom offers this stern homily: "And when we Americans speak seriously about politics, we mean that our principles of freedom and equality

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and the rights based on them are rational and everywhere applicable." He then goes on to observe that World War Two "was an educational project undertaken to force those who do not accept these principles to do so."

Such support for political missionizing suggests that Bloom and at least some of his devotees are not disinterested humanists. Their broadsides against the Germans as the enemies of democratic education simply rehash ideas and prejudices expressed by John Dewey during both World Wars. Dewey railed at Kant and Hegel as representatives of authoritarian ethics and of an anti-democratic political tradition. Like Bloom, Dewey had favored taking German influences out of the academic curriculum in the name of inculcating his own conceptions of American democracy.

An equally revealing statement of "conservative" educational thinking is by former assistant secretary of education, Chester E. Finn, Jr. in the November 1986 *American Spectator*. Here Finn, a close advisor of William Bennett, underlines the need to combine "cultural literacy" with Judeo-Christian ethics and democratic values in preparation for a "conservative" reform of education. Under his rubric of "cultural conservatism," Finn proposes the celebration of a patriotic calendar, holding up for special veneration the figure of Martin Luther King, Jr. In a subsequent exchange in the same magazine with William Hawkins, Finn scolds his respondent for intimating that one can be "culturally literate" without believing intensely in democracy. Finn refuses to discuss anything with his critic; though it is never made clear that Hawkins differs from Finn politically, he had in any case dared to treat democracy as one among other values.

Finn's response was by no means an idiosyncratic gesture. It followed from the "democratic faith" that Deweyites at the Columbia University Teachers College and elsewhere had been preaching since the 1930s. In *Principles of Democratic Education* published in 1934, the CUTC professor and Deweyite, James L. Mursell, proclaimed democracy to be nothing less than a faith. It was first and foremost an "ethical faith" that had to be systematically inculcated, excluded "group and clique

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

differentiation," and required a "certain type of social order and political arrangements." Unlike Dewey who in *A Common Faith* (1934) viewed supernatural religion as incompatible with the democratic creed and the Deweyite Sidney Hook who takes the same position in his autobiography, Mursell argues that biblical religion bestows a useful pedigree on the democratic ethical faith. What is best in the older Western religious tradition is said to endure in a sublimated form when democratic belief and democratic practice triumph.

Clearly proponents of the democratic faith are less concerned with self-government than with the teaching of their values. This overriding concern can be seen in, among other places, the career of Frank Ward Studebaker, who became U.S. Commissioner of Education in 1934. A looming presence in a monograph being prepared by the historian Stephen Sniegoski for Greenwood Press, Studebaker devoted his public life first to defining and then to imposing the democratic faith. He had viewed the national mobilization by Woodrow Wilson during the First World War as an invigorating experience; and when Roosevelt later began to prepare for another war in Europe, Studebaker urged those in government in January 1941 to turn their fellow Americans into "a people with a zealous faith in democracy, fully understanding the fallacies of totalitarian doctrines." Studebaker between the wars had considered democracy only as a process through which "the truth is most often found in the elusive middle ground between extremes," but he went back to the "democratic faith" once a new war approached. In late 1941 he stated his belief that "the indoctrination of youth with loyalty to democratic ideals" should be made "the first duties of schools in a democracy." Studebaker lived on to become a Cold War liberal, and as the Truman administration moved to counter Communist guerrillas in Greece in 1947, he called for containing another totalitarian danger through renewed "zeal for American democracy in public schools." This time it was not democracy alone but a "dynamic Christian democracy" that was elevated to the essence of the democratic faith.

Despite this rhetorical concession to the Western religious

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

past, it is striking how little of the talk about democratic faith in Studebaker, Dewey, or Finn is about religion or about the past. All of them take their inspiration from Woodrow Wilson's vision of America as a public-spirited democracy crusading beyond its borders to spread its ideals. Wilsonians, starting with Dewey and the circle centered on *The New Republic*, looked forward to an American democracy guided by "public servants." Its people were to live by a faith whose maturation would come through a socializing elite. These ideas began on the Deweyite Left, but no longer are found either exclusively or primarily there. They have now migrated to the "conservative" side in educational debates and are represented by self-declared value-conservatives both inside and outside of government. William Bennett affirms his dedication to this democratic mystique in *Challenges to the Humanities* (New York: Holmes and Meier, 1982), an anthology of defenses of humanistic education among whose other contributors are Finn and Diane Ravitch. Though Bennett makes references to "plurality," he also maintains that teaching the humanities should lead to "a shared vision, the elements of which include a common code of tolerance, support, empathy, openness, and a belief in the humanities." These ideals, which Bennett asserts are "neither gender, race, nor ethnicity specific," will if properly taught, promote – his vision. What Bennett intends to have taught, however, is not, for example, Socrates' view, as put forth in *Republic*, Book Five, of what Greeks may do in war to barbarians but not to other Greeks; or Thomas Aquinas's unsettling opinions about Christian heretics. Finn and Bennett are explicit about the need to teach *their* universal values. Finn responds to the "troublesome question" of "whose values are to be taught?" with his own rhetorical question: "Should anyone teach the Civil War or World War Two in a completely neutral fashion?" A serious response would be, not in a neutral but in a scholarly fashion, without using the study of either struggle to rage against racism while pretending to transmit scholarship.

Another neoconservative contributor to *Challenges to the Humanities*, Paul Gagnon, constructs a paradigmatically circular

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

argument about democracy and values. Gagnon explains: "The essence of democracy is open, constant, genuine choice of values and meaning, choice of what the good human life is, and how society, including school, shall order its priorities so as to make the good life possible." Though Dewey seized on the same kind of language in describing democratic socialization, Gagnon notes that Dewey's educational theory became "anti-democratic" in practice because it assumed the subordination of students to a socializing master. The required study of the humanities, by contrast, will educate all people to their "maximum potentiality," so that we can all practice democracy together.

Yet, surely the herding of young people into classrooms to read required texts under authorized custodians of democracy brings up the paradox of forcing people to be free. What Gagnon has in mind is the surreptitious introduction of the kind of civil religion more honestly presented by Jean-Jacques Rousseau in *The Social Contract.* According to Rousseau self-government is only possible if citizens can be made to grasp the "general will." Freedom lies in having everyone will what is good for all but only understood by some. Gagnon speaks of presenting a "choice of values," but this is consistent with democratic ideals – as opposed to mere democratic procedures. It would also be obtuse for us to ignore the prior construction of a package of humanistic values that Gagnon's students would have to be exposed to as a precondition for a "genuine choice of values and meaning." Not all choices would be equally available; as in a workers' state those who exercise the vote must do so with guidance. Some choices – say those of Gagnon or Bennett – are obviously more equal than those of others – say of Mel Bradford or Tom Fleming.

The defense of required humanities and Western civilization curricula by such people reveals a continuing descent into what the political philosopher Claes Ryn ridicules as "democratist sentimentalism." For Lynne Cheney, for example, it is simply outrageous that most American youth have never read Martin Luther King's "Letter from the Birmingham Jail," which she ranks in order of moral and cultural importance

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

with the works of Shakespeare and Dante. In a defense of her education proposal *A 50 Hour Core Curriculum for College Students*, Cheney urges students to study the Western past as a preparation for appreciating the civil rights movement and other modern drives toward human equality. Like her predecessor at N.E.H., Bill Bennett, Cheney treats King as the culminating figure in the Western philosophical and moral tradition: "He [King] cited Jefferson's words and Locke's to argue the cause of civil rights; he quoted Greek philosophers, British poets and German theologians."

These lines are taken from remarks by a self-described conservative speaking before other conservatives at Hillsdale College. The question that arises is why conservatives should want to teach the humanities as a tribute to a socialist reputed to have Communist connections. Even more important, why they should aim at presenting the history of Western thought as a process of moral improvement culminating in the upheavals of the 1960s? Certainly it is clear why the Left would do both, but why should the Right do either? A conservative defense of the humanities, one might have assumed, would strike a dramatically different note. Ethical self-mastery, concerns about death and the fate of the soul, and the training of young gentlemen and young ladies are the ideals that educational traditionalists have customarily emphasized. Why should conservatives now take their bearings from the still untamed civil rights movement defended as the highest moral moment in the unfolding of their own civilization?

The answer should be obvious. Conservatives and their opponents are presently debating the significance of the civil rights movement. Both proclaim it to have been a political good, but the visible political Right – i.e., the neoconservatives and their followers – insist that black radicals captured and corrupted that movement in the late sixties. Both paleoconservatives and the Left contend, by contrast, that the civil rights movement has always striven toward the same revolutionary ends but has worked to achieve them piecemeal. What separates the Left and the Old Right in their interpretations is acceptance or rejection of a particular process of change and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of the movement that was and remains its catalyzing agent. The neoconservatives' attempt to occupy the middle ground, defending the original civil rights movement but not the latest incarnations, may be politically useful. But it has also become for the Right the controlling factor in reinterpreting the humanities, that is, reducing them to a particular value, democratic equality as exemplified by a once apparently moderate civil rights movement. Indeed "cultural conservatives" can no longer speak about the humanities without praising their own civil rights movement and a manipulated image of Martin Luther King, Jr.

One reason for this is that "cultural conservatives" persist in debating about which "values" should prevail. In the public square, values are not the same as the prescribed rules by which traditional communities are held together. Nor are they a modern equivalent of the Platonic *eidē aidia*, those eternal forms to which human knowledge was once thought to correspond and which human consciousness was believed to reflect. Values are not contained in the behavioral models that the contemporary ethicist, Alisdaire MacIntyre, associates with epic literature. MacIntyre maintains that in traditional societies the young are educated to imitate the qualities exemplified by epic heroes.

What is important, then, to keep in mind is what values are not. They have nothing to do with eidetic structures or essences which classical and medieval scholars associated with thought. They are not the implicit knowledge about things that Friedrich Hayek believes are what keep social relationships functional. Nor are they paradigms of the good life that can be extracted from epic and moral literature among those who take such literature seriously. Values are none of these things, because they play no role in settled societies unaffected by the radical Enlightenment.

With the assault on traditional moral and social institutions in the Age of Revolutions, argues Reinhart Koselleck, a new source of authority came to the fore, the philosophes and their epigones who challenged "irrational" beliefs. The new beliefs were to be examined ones, unlike those identified with

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the churches and monarchies, which social reformers scorned, among other reasons, for not paying enough attention to them. Those who aimed at enlightened beliefs were supposed to weigh them critically in their minds. But the ethical and political values associated with critical intelligence were seen to need further validation, beyond the minds of individual critics. Thus those who arrived at such values sought to impose them, by an act of will, as universally valid. Like the Categorical Imperative in the ethics of Immanuel Kant, Koselleck notes, enlightened values were elevated to become the only ones applicable for the entire human race; else individual reason and individual will could be given no scope beyond the individual intellectuals who exercised them. The result of this process was the tyranny of values. Intellectuals came to believe and convinced others that the maxim on which we act can only be true if raised to a form of "universal legislation." Our abstract ideals become more than springs for our personal actions. Like Kant modern intellectuals are driven to proclaim, "*Sic volo, sic jubeo* [by willing I also command]."

This modern struggle for command includes the insistence that each participant's preferred value or cluster of values – be it liberty, equality, democracy, or democratic capitalism – be made the only one worthy of universal consideration. Opposing values, or policies associated with them, are seen as pernicious and fit targets for annihilation. In the face of vanishing traditional authorities intellectuals seek to impose their highest values as redemptive political ideals. In modern societies, especially pluralistic democracies, value-bearing intellectuals set the terms of public debate. It is they who determine the "open and closed questions," making war on some values while glorifying others.

In *Kritik und Krise* (Frankfurt am Main: Suhrkamp, 1973) Reinhart Koselleck links the rise of *die Intelligenz* not only with the tyranny of values but with a deterministic and progressive historical vision. The moral and "scientific" critique leveled by intellectuals against sovereign states and established churches that ignored them was seen as expressing irresistible historical forces. The values that intellectuals advanced, as their society's

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

conscience and incarnated reason, would triumph in a future revolutionary age. The legal thinker Carl Schmitt, whose thought on this subject I examine in a recently published monograph, noted the incompatibility between the imposition of values by intellectuals and stable political relationships. States, Schmitt maintained, could not monopolize force in their own societies and treat other states as legal equals, if they allowed themselves to be dominated by value-asserting intellectuals. Schmitt depicts the weakening of the sovereign state brought about by warring intellectuals (some turned guerrilla); and shows them seeking to impose their own notion of the good by means of a captive government.

Global democracy, for example, has emerged in our newspapers as a universally applicable truth. It is something that must be implemented at the expense of every state's sovereignty. The United States is held to exist as a base for what Morton Kondracke of *The New Republic* calls approvingly (November 6, 1989) "the democracy gang." No political frontier or established government is to be beyond conversion, if necessary by violence, unless the state conforms to the view of democratic practice upheld by journalists and other intellectuals. In France, "anti-racism" may be enjoying the same highest value status among intellectuals achieved here by global democracy. There, discussions about limiting North African immigration can no longer take place in polite discourse and any politician who raises that issue is immediately stigmatized as belonging to the "ultraright." In fact, anyone who speaks of limiting immigration into France, whether the socialist François de Closets or the nationalist Jean LePen, is routinely attacked as a racist and neo-Nazi; and though it has now been shown that a satanic rock group was guilty of the widely publicized crime of vandalizing Jewish graves at Carpentras last Spring, it is the conservative (anti-immigration) Front National that is still accused of fomenting that outrage.

Debate continues in France, however, (c.f. *L'Express*, November 3, 1989, 6.9, 25; and *London Times* Education Supplement, March 11, 1989, 18, and *Le Monde Diplomatique* [Decem-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ber, 1989], 1 and 22) about how the value of anti-racism can be most fully realized. Is it by allowing Moslem girls to wear veils in French schools; or does anti-racism require that French educators smash ancient folkways that are not conducive to modern democratic living? In the meantime France is to remain open to new extensions of its declaration of the rights of man; its government, moreover, now deals with the North African problem through a Moslem intermediary Harlem Désir, organizer of the "SOS Racisme," a movement devoted to the war against racism. And new ways are sought to punish those who question the impact of continued immigration on French cultural and economic life, including a law by the National Assembly making it a crime to give ethnic and racial offense.

The protection of his own highest value against a suspected countervalue was obviously the motive behind Finn's refusal to grant "standing of any kind in a discussion about cultural conservatism" to a possible nondemocrat. To my knowledge, Finn has never abstained on principle from discussion with a doubtful theist, though he includes Judeo-Christian as well as democratic components in cultural conservatism. Indeed he and other neoconservative celebrities cherish the memory of Sidney Hook, a militant atheist and confirmed socialist. Not all elements in their educational and cultural worldview count equally; and it may be unrealistic to expect otherwise. I myself was not surprised at being castigated in the May 1988 *Commentary* for calling attention to the atheistic and socialist dimensions of Hook's thinking. My critic accused me of insulting "the premier democrat" of the modern era and of giving evidence of my own alienation from the Western political tradition from Locke, Montesquieu and Madison to Martin Luther King, Jr.

Like Finn, this critic was devising a fictitious pedigree for his own highest value. What he really advocates is the democratic faith as articulated by Dewey, Studebaker, and then bestowed as a kind of ascribed grace on the pre-Jesse Jackson civil rights movement. At the present time this democratic faith is winning applause from conservative educators, as the good

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

creed being rejected by other intellectuals in favor of one that is more radical. The Western tradition has come under attack as anti-egalitarian; i.e., impervious to the concerns of blacks, gays, and women. To this the conservative response is that the Western tradition, properly understood, does in fact lead to democratic equality, but to that form of it that black radicals and the New Left rejected in the sixties.

This debate over values is necessarily one among leftists, for it involves ideals framed by political intellectuals, who are willing to apply political force on behalf of social change. Under the guidance of these intellectuals, cosmological debates have become merely genealogical ones. Agreement has already been reached on the highest value, universally exportable democratic equality. What remains to be debated is whether the West, and the United States in particular, is suited to lead a global crusade for that value; this in turn hinges on whether and how the West has affected the spread of the same value in the past. What further divides the authorized Left from the authorized Right is the choice of means for advancing the ideal of equality. The Left seeks to apply that ideal through further transfers of wealth and the extension of equal rights to hitherto "victimized" groups, including animals.

The respectable Right, by contrast, believes that the democratic revolution is mostly over at home. And though its spokesmen Jack Kemp and Newt Gingrich praise transfer of income toward the underclass and minorities, they are principally concerned with the extension of democratic equality outside the United States. The political Right in the Reagan years wished to see the United States further a global democratic revolution, endorsed by the President and most prominent conservative journalists. A major proponent of this policy, Ben Wattenberg of American Enterprise Institute, proclaims democracy to be "our destiny." Like Woodrow Wilson, Wattenberg explains, Americans of this generation yearn to "get back to our prime mission, democracy peddling." Toward this end he advocates increased budgets for the National Endowment for Democracy, Radio Free Europe, and other agencies that can help "[w]age democracy first class."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

It is precisely this "democratic imperialism," to borrow the phrase of Irving Babbitt applied to the Wilsonian worldview of seventy years ago, that today's conservatives represent in education and in foreign policy. Because of this imperialist impulse they can no longer take the side of liberty or scholarship in the critical confrontation now taking place over academic freedom.

Unlike the "value-neutral left," American conservatives pride themselves on placing democratic limits on intellectual freedom. Thus Peter Collier, in organizing a Second Thoughts Conference in Spring 1990 for those who had rallied to "democracy" from the sixties New Left, disinvited, once having invited, the philosopher Michael Levin. Levin had published an essay in the Australian periodical *Quadrant* in which he had stated that there were hereditarian reasons that median intelligence was lower for blacks than for whites. He had tried to demonstrate *inter alia* that racially based differences on IQ test results were not entirely reducible to social variables. The predominantly neoconservative National Association of Scholars had defended his teaching rights after Levin had been removed from classroom duties at CUNY for expressing controversial views. At that time, Levin was known as a sociobiological critic of the feminists, with libertarian leanings, not as an interpreter of racial differences. Conservatives may draw gender distinctions without compromising their "values." Pointing out the cognitive disparities among groups with different gene pools, however, is of course another matter. Such distinctions can have no place among those who look to the Humphrey wing of the Democratic Party for its sacred and eternal values.

In fact conservatives now discourage the opening of nondemocratic and nonegalitarian scholarship by driving those who pursue it into the fever-swamps. Thus, Eric Breindel, in the *New York Post*'s editorial page on May 18, excoriates Levin as a purveyor of "poison." Though he stops short of calling for Levin's dismissal, providing he does not release his poison in class, Breindel accuses him of anti-democratic "group libel" that "inspires racial hatred and intolerance" and which leads to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"mass murder." Never mind that Levin's reasoning about IQ disparities recapitulates what research psychologists and geneticists already believe and sometimes say. Or, that Breindel never undertakes to refute the victim of his intemperate attack. His comparison of Levin to cranks who deny that the Holocaust occurred ignores the obvious methodological difference, that, unlike Hitler's apologists, Levin argues from factually grounded hypotheses. Nor are there grounds to assume that one who relates cognitive disparities to genetic factors is issuing a warrant for mass murder. Such thinking recalls the equally infantile notion that the application of class analysis to the study of history is an implicit defense of the Gulag. Unfortunately I have heard both stupidities uttered by value conservatives while proclaiming themselves to be "militant democrats."

Meanwhile, the longtime Heritage Foundation Constitutionalist Bruce Fein, in a syndicated column on May 18, 1990 stresses that "tolerant" democracies do not get hung up on free speech. The speech Fein seeks to outlaw which gives offense to ethnic and racial minorities is what much of the academic Left is equally determined to ban. One might gather from Fein that conservatives place democratic tolerance ahead of freedom. In light of the recent ostracizing by neocon think tanks of the sociologist Charles Murray, who reached conclusions on inherited intelligence similar to Levin's, it would seem that Fein knows whereof he speaks. Though Murray has tried to present his research more discreetly than Levin, the Manhattan Institute has dropped him because of his impenitent preoccupation with closed questions.

In the struggle now unfolding in many of our universities over the right to do scholarship, we should not expect help from "democracy peddlers." Like their more radical egalitarian progeny, they too are part of the problem – and perhaps even its philosophic source. Ironically, one of the most impassioned and earnest defenses of academic freedom that I have recently seen was by the *Village Voice* writer Nat Hentoff. In the June 2 *Washington Post* Hentoff attacked members of the Massachusetts ACLU for supporting in the name of "minority sensitivity" the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

censorship of academic discussion. Unlike Finn, Breindel, and Fein, Hentoff has still not tasted the salvific waters of the "living democratic faith."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

GOVERNMENT POLICIES AND THE U.S. PRIVATE SECTOR
Is There a Political Phillips Curve?

Baruch Mevorach
Tel Aviv University

The theory that politically determined government policies can encourage the sucessfull operation of private enterprise economies has been debated by various authors, including E.R. Tufte, who commented that:

> ...the political control of the economy operates at the margin – a shift in the inflation rate here, a fluctuation in unemployment there – rather than on the underlying structure of the economy, public and private" (Tufte, 1978, pp. 138).

Clearly the degree to which private enterprise economies can be aided or retarded by government intervention is of great political and economic interest, and we here propose to examine this topic further.

Thus, expectations as to what policies a Democratic or Republican administration might adopt can effect the decisions made by the private sector. Traditional economic theory perceives the private sector of the economy and individuals in general as having complex computational capabilities that allow them to process an extensive amount of available relevant information. Individuals' expectations, under the rational expectations theory, are translated into actual economic performance complementing or countering the impact of government intervention and other direct stimuli.

Available *political* information is transformed by individuals into expectations and thus affects economic outcomes, and this process modifies the impact of political controls on the economy. Following Lucas (1976), it is argued that macroeconomic explanatory models respond to changes in the political

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

environment. Different partisan administrations, such as the Democratic and Republican parties in America, give rise to different sets of expectations and result in different sets of underlying equations.

The basic hypothesis is that under Democratic administrations macroeconomic activity is better explained by a more political model, whereas under Republican administrations it is better explained by a more economic model. In a sense this is a two-step expectational model, where the initial decision is a dichotomous one, i.e. which of the two partisan models is in effect. The second decision is concerned with determining the exact derived equation underlying each one of the two partisan administrations. Methodologically, the two steps can and will be eventually incorporated into one, overall regression model.

Although problematic, this simplistic one-to-one examination of the Phillips curve is far too tempting to be left out of further economic investigations due to its policy implications. The Phillips curve was and still is interpreted by policy-makers as a causal relation between inflation and unemployment, independent of other environmental characteristics.

As will be demonstrated later, the Phillips curve relationship is part of the unemployment model. Statistical evidence indicates that unemployment is endogenous to preceding inflation rates with no recursive feedback. Inflation thus produces unemployment rates with unemployment being irrelevant to inflation explanation. Yet, due to the unique policy implications, a separate examination of the Phillips curve has to be dealt with.

The null hypothesis to be confronted with is Milton Friedman's, that is, the discriminative private political control of the economy hypothesis (1977). There, empirical evidence for the three-stage (negative, neutral-zero, and positive) Phillips curve is provided and backed by explanations concerning the reasons for their occurrence. The approach taken here is slightly different from that taken by Hibbs (1977), Beck (1982), and Alt (1985). An attempt is made to establish the comparative magnitude of the impact of economic and political

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

TABLE 1 - INL-UN, REPUBLICAN ADMINISTRATIONS

both-down	both-up
1953,55,56,59,72,73,76,83,84	57,58,70,71,74,75,81
total-9	total-7

INL-down; UN-up	INL-up; UN-down
54,82	69
total-2	total-1

INL-down; UN-no change

60

total-1

overall- 20 years.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

determinants upon unemployment outcomes. The separate examination of the directions taken by economic and political determinants in the explanatory model is an interesting study to follow but is of minor importance here. Here we examine a somewhat rarer approach which has been borrowed from the related field of industrial relations and strike activity in the United States. Snyder (1975, 1977) argues that the determination of strike activities shifts over time from a primarily political arena to an economic one due to the growing stability and institutionalization of the trade unions and the collective bargaining system.

Friedman (1977), Wells and Gootzeit (1981) have provided us with different explanations for the probable existence of a positively sloped Phillips curve. In part, the explanations hold true for Republican administrations as exemplified by the strong and consistent finding of a positive inflation-unemployment relationship under Republican administrations.

Friedman once suggested that new empirical results lead to changes in ideas and research approaches (1977, pp. 17). He suspected that the introduction of the third stage, accompanied by a positively sloped Phillips curve, would give rise to the treatment of

> ... at least some political phenomena not as independent variables – as exogenous variables in economic jargon – but as themselves determined by economic events – as endogenous variables...The third stage will, I believe, be greatly influenced by a third major development – the application of economic analysis to political behavior...

The Phillips curve relationship presented here has incorporated the long-awaited political phenomena as both independent and intermediate variables without addressing the question of their determinants, whether it be economic, as Friedman suggested, or political. This intriguing question of course, could provide for even further research.

The intermediate partisan administration introduction calls for a long-run, one stage, more stable Phillips curve. All three post-war Phillips curves described by Friedman are well

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

TABLE 2 - INL-UN, DEMOCRATIC ADMINISTRATIONS

both-down	both-up
1950,62,77	46,61,63,80
total-3	total-4

INL-down; UN-up	INL-up; UN-down
49	48,51,52,64,65,66,78,79
total-1	total-8

INL-up; UN-no change	UN-down; INL-no change
47,67	68
total-2	total-1

overall- 19 years (1945 missing).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

contained within the partisan administration framework, and most important, remain correct when the broader model for unemployment reproduction is considered.

Expectations and direct stimuli effects of economic determinants can hardly be untangled. The application of somewhat crude technique indicates that inflation does not exert any direct stimuli effects on unemployment when controlling for hypothesized expectations. The result follows from the model's assumption as to Republican-expectational, Democratic-direct stimuli economic effects. Yet, the above finding can be dismissed following an argument about countering direct stimuli and expectational effects leading to the same zero inflation impact during Democratic administrations.

The expectational-direct stimuli dilemma contained in economic determinants gives rise to the purely expectational political determinants. As follows from Cox and Snell (1981), all the variance that is captured by the gender dichotomy, after controlling for various physical and mental traits, is probably due to expectations about sex differences. There is no action-orientation contained in a political determinant when accompanied and controlled by policy measures that exhaust most or all direct stimuli relevance in it. Political researchers like Hibbs, Tufte, Beck, and Alt failed to separate direct stimuli from expectational effects. They thus attached direct stimuli interpretations to the political dichotomies they have used in their research in the absence of needed economic controls.

Theoretically the application of political determinants in economic expectational models is thus appealing. We have yet to discover how frequently they are applied in practice so as to allow for a more helpful distinction between policy oriented direct stimuli economic impact and the purely expectational political phenomena.

The Phillips Curve

The term Phillips curve originally referred to the inverse relationship between the British unemployment and wage inflation rates, noticed by Phillips (1958). Sargent (1979) reports that the phenomenon, although often thought to have

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

been originally spotted by Phillips in British data, was analyzed long before by Irving Fisher and business cycle analysts at the Nat. Bureau of Economic Research and elsewhere (pp. 324).

The Phillips curve, as put forth by Phillips, expressed the rate of change of wages as a function of unemployment. The stable negative relation between the two suggested that high levels of unemployment were accompanied by falling wages, and conversely low levels of unemployment were to be accompanied by rising wages. "The wage change in turn was linked to price changes by allowing for the secular increase in productivity and treating the excess of price over wage cost as given by a roughly constant mark-up factor" (Friedman, 1977, pp. 10).

The Phillips curve, it might be noted, is but a part within a much broader framework. The demand-output framework examines how a change in aggregate nominal demand, however produced, works itself out through changes in employment and price levels; and, also what are the factors that account for changes in aggregate nominal demand (Friedman, 1977, pp. 9-10).

The introduction of aggregate demand and its reciprocal relationship with the Phillips curve through aggregate supply and other exogenous determinants complicates the examination of any trade-off. Strong assumptions about the way aggregate demand relates to the Phillips curve and its components are required. Such assumptions may affect the quality of the results obtained from the Phillips curve examination.

Lipsey (1960) and Perry (1966), among others, argued that the Phillips curve examination is too simplistic and that factors other than the unemployment rate determine the course of wage inflation. Another complication, probably a more problematic one, is the fact, reported by Sargent (1979), "that the unemployment rate and deviations of real GNP from its trend are highly serially correlated, i.e., strongly and positively correlated with their own lagged values" (pp. 300).

The belief of some policy-makers that one can achieve a lower unemployment rate but only at the expense of a higher

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

inflation rate and vice versa was unaffected by academic economic controversy over the type of relationship existent on the Phillips curve. The following citation illustrates the frequent insensitivity of administrations to academic opinions. Thus the Carter administration in its 1979 Economic Report of the President stated that:

> Some analysts have suggested that increases in the level, duration, and availability of unemployment benefits and other transfer payments have raised the unemployment rates for some groups in the labor force by facilitating longer and more frequent periods of job search. These factors, together with changes over time in the structure of labor markets, in rates of productivity growth, and in the reaction of wages to past and expected rates of inflation, make it difficult to estimate the rate of unemployment below which wage acceleration is likely to occur. A number of studies have attempted to determine that rate, but have produced a wide range of results. And, In view of the acceleration in inflation which has occurred, a further reduction of the unemployment rate during 1979 would run some risk of generating excess demand and creating inflationary pressures in labor markets (pp. 65, 67).

In February 1982 the Reagan administration, in its Economic Report of the President, issued the following statement as to the inflation-unemployment trade-off:

> The major failure of the late 1960's and 1970's was to give insufficient weight to the long-term effects of economic policies. For example, the so-called Phillips curve – the observed inverse relationship between wage inflation and unemployment and its implication that a tradeoff is possible was one of the key notions relied on by economic advisors. But nothing in Phillips' work or in subsequent studies showed that higher inflation was associated with sustainable lower unemployment, and nothing in economic theory gave reason to believe that the relationship uncovered by Phillips was a dependable basis for policies designed to accept more inflation or less unemployment. The speed with which the case made for this tradeoff was accepted as a cornerstone of economic

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Table 3 - UNEMPLOYMENT QUARTERLY EQUATION (1945,3-1984,4), INRL INCLUDED.

INDEPENDENT VARIABLE	B-COEFFICIENT	BETA	T-VALUE
CONSTANT	.72		5.88
UNL	1.48	1.48	25.44
UNL2	- .64	- .64	-11.55
OILL	.11	.07	3.34
INRL	.11	.05	3.19
WARL	- .17	- .04	- 2.53

ADJUSTED R-SQUARE=.967 DURBIN'S H=1.098 (NO AUTOCORRELATION)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> policy contrasts with the slow acceptance of both neoclassical economic theory and the substantial body of evidence which suggests that there is no lasting tradeoff between inflation and unemployment. The economic policies which are now being implemented by the administration are grounded in this tradition (pp. 49).

Executive statements, it seems, lag behind academic traditions. Reagan, in 1980, was the first president to dismiss the long-term negative Phillips curve. His administration was doing just this when the United States witnessed a new positive stage on the Phillips curve that was to last for some eight years.

Empirical observations of the relation between inflation and unemployment for the post-World War II era have evidenced three stages, each with a different form of relationship on the Phillips curve. Each stage was assigned with different explanations and underlying assumptions as to why the Phillips curve has changed its shape.

In the first stage the hypothesis was that the rate of unemployment varied inversely with the rate of change in wages and followed price inflation. High unemployment was thus accompanied by falling wages and prices, low unemployment by rising wages and prices. For policy making purposes the choice was relatively simple; it was suggested that economic policies could have been used to achieve a preferred equilibrium between employment, independent of other sources of unemployment, and inflation. The measures that would produce the level of aggregate nominal demand required to achieve the desired unemployment and accompanied inflation rates could be monetary, fiscal, a combination of the two, or perhaps of a different kind altogether (i.e. employment legislation, etc.).

Experience from the mid and late 1960's and the beginning of the 1970's seemed to be inconsistent with the classical Phillips curve hypothesis and an alternative hypothesis was developed by Phelps (1967, 1970) and Friedman (1968). In the second stage it was suggested that short and long-run effects of nominal demand should be distinguished. It was also empha-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Table 4 - UNEMPLOYMENT QUARTERLY EQUATION (1945,3-1984,4), INRL AND INDL INCLUDED.

INDEPENDENT VARIABLE	B-COEFFICIENT	BETA	T-VALUE
CONSTANT	.74		5.78
UNL	1.47	1.47	24.84
UNL2	- .63	- .63	-11.47
OILL	.12	.08	3.19
INRL	.10	.04	2.54
WARL	- .16	- .04	- 2.35
INDL	- .01	- .01	- .63

ADJUSTED R-SQUARE=.967 DURBIN'S H=1.228 (NO AUTOCORRELATION)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

sized that unanticipated changes in nominal demand have very different effects on inflation and unemployment. The adaptability of labor to changing market conditions made it possible for constant price changes to induce employment changes in the short-run; only accelerating unanticipated inflation could allow for unemployment fluctuations in the long run.

The natural rate Phillips curve hypothesis thus suggested that the long-term relationship between inflation and unemployment was vertical. The short-term Phillips curve, which incorporated adjustment errors to it, still supported the rationale behind the inversely shaped Phillips curve. The second stage Phillips curve has shifted, to a degree, the directional hypothesis, introducing inflation as an exogenous rather than an endogenous variable to the explanation of unemployment in most researches.

For the overall nominal demand-supply framework this was not much of a change. The broader framework encompasses a theoretical rationale for the existence of the two concepts as both exogenous and endogenous. Theoretically, the second stage introduces a more significant change when the shift suggestion, described above, is considered. The change reflected field evidence (Friedman and Schwartz, 1963) and the discovery of a tight association between money and inflation as well as the new long-term zero correlation between inflation and unemployment. It was then hypothesized that an anticipated change in the stock of money will only affect nominal determinants, prices for example, but not real variables such as employment and output, and that, like money determinants, anticipated price changes do not affect any real variables in any consistent way.

In the neutral long-term Phillips curve stage individuals were presumed to be far more sophisticated than they were in the first. Now, however, the state was perceived as being less able to affect the economy. The state of the economy and unemployment could be shaped by the state for only short periods of time and only in an incremental fashion.

Initially, under the hypothesis of the neutrality of money, it was argued that the core rate of unemployment, the natural

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Table 5 - UNEMPLOYMENT QUARTERLY EQUATIONS (1945,3-1984,4), INRL AND INL INCLUDED.

INDEPENDENT VARIABLE	B-COEFFICIENT	BETA	T-VALUE
CONSTANT	.74		5.78
UNL	1.47	1.47	24.84
UNL2	- .63	- .63	-11.47
OILL	.12	.08	3.19
INRL	.12	.05	3.24
WARL	- .16	- .04	- 2.35
INL	- .01	- .01	- .63

ADJUSTED R-SQUARE=.967 DURBIN'S H=1.228 (NO AUTOCORRELATION)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

rate, could fluctuate only as a response to real changes in the labor force and the economy. Later research and the evidence on the highly serially correlated process characterizing unemployment short-term data have resulted in the transfer of even greater power into the hands of individuals. Lucas, among others, has claimed that much of the variance in unemployment is due to movements of the natural rate rather than deviations of unemployment from its natural rate. If money and inflation impacts on employment were short and almost negligible, expectational impact, induced by past values of unemployment, worked deeper to account for changes in the constantly changing natural rate.

The third stage, the positive Phillips curve, minimizes even more the impact of state policy on employment and output. The introduction of outside events, such as the oil crisis, accounts for at least a part of the new trend, which apparently occurred a year earlier in most western societies. Gordon's explanation for the positively sloped Phillips curve ignored the impact of inflation on employment and claimed that outside events, among other independent forces, were responsible for rising inflation and unemployment rates, independent of one another (1975a; b).

Others have suggested that inflation and unemployment have been mutually reinforcing, and that higher rates of inflation have, at least for a short period of time, positive effects on unemployment to account for a positive relation between inflation and unemployment. Friedman (1977) provides an explanation of the short-run Phillips curve. He maintains that high inflation, especially if volatile, can impair political cohesiveness by disturbing expectations about actual or anticipated inflation. Gainers and losers are polarized. Pressure for government action against inflation is frustrated at a time when there is increasing difficulty in governing. Although regarded as negative in essence, government intervention in the form of indexation could, at least in the short-run, be developed to cope with volatile inflation. It was shown earlier (Gray, 1976) that increased volatility shortens the optimum length of unindexed commitments and renders

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

indexing more advantageous to counter frequent changes in labor contracts, and possible movements (and at least short-run increases) in unemployment rates. It should be noted that, as reported by Jaffe and Kleiman (1975) and Logue and Willett (1976), the higher the rate, the more volatile inflation is likely to be.

Friedman, although in general less supportive of government intervention, was willing to accept real intervention in the economy to confront possible political and economic instability due to rising rates of inflation and unemployment.

Friedman provides us with yet another explanation for the existence of the positively sloped Phillips curve. Relative market prices, he argues, are distorted and information about prices is thus transmitted less efficiently. He goes on to argue that economic agents may, in such economies, resort to barter or to external currency with obvious adjustment employment consequences.

A different explanation, one that claims short and long-term applicability for the positive relationship between inflation and unemployment, is rooted in the rational expectations tradition, while failing to conform to its classical assumptions. The explanation, provided by Wells and Gootzeit (1981), adds an "important behavioral assumption" to the rational expectations Phillips curve:

> ...employers overestimate prices simultaneous to workers underestimating them. This assumption appears much more capable of empirical verification than the assumption of a rightward shifting short-run labor supply curve, which is a function of the real wage rate. (pp. 127).

According to Wells and Gootzeit this means that:

> ... workers believe they cannot bargain successfully enough so the money wage established is relatively low and employers believe that workers bargained too successfully so the money wage is relatively high compared to the expected price level. If this type of 'fooling' occurs, an unexpected price increase may be much larger than firms expected and smaller than

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> workers expected thus causing a lower level of output than would otherwise be produced. This will lower the actual level of employment (*op. cit.*).

Wells and Gootzeit add that for their proposition to be true the inflation rate has to be accelerating; otherwise, the incorrect price estimation would lead to a negatively sloped Phillips curve.

Policy recommendations that follow from their analysis call for a believable monetary policy that "would help both parties achieve the equilibrium real wage rate without disruptive changes in employment, even during the adjustment to the lower rate of inflation." (pp. 128).

In following sections of this work the reasoning for the hypothesized Republican-positive; Democrats-zero Phillips curve is discussed. The rationale follows the explanations provided here and takes into account the political context within which the relationship exists. It is argued, as mentioned earlier, that there exists a one-stage Phillips curve for the post-war era with two resulting partisan variants.

Hypotheses

The Phillips curve and trade-offs between lagged inflation (INL) and unemployment (UN) take a positive direction under Republicans (INRL), and a zero correlation for Democratic administrations (INDL). This follows the hypothesis that Democratic administrations are expected to be more interventionist than their Republican counterparts, especially when the issue at hand is unemployment. In Democratic years inflation results and economic indicators in general will thus be contaminated by a fooling behavior to a larger degree. In turn, the public will rely on the more consistent and predictable political arena for expectations formation and resultant actual unemployment outcomes. Weak economic INDL impact can still be present as a reflection of direct stimuli economic influence, but it is assumed to amount to zero. Indexation application with its intervention consequences has often been referred to as an efficient means of curbing inflation, but

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

information-flow and market adjustment in Friedman terms would probably neutralize the impact of inflation on unemployment more rapidly. Indexation has more than an interventionist flavor to it. In the United States the fixed-rate home mortgage causes inflation to erode savings accounts while enriching borrowers. "Many homeowners are still paying off 4 and 5 percent mortgages, while the value of their homes in many cases is increasing at 8 or 10 percent a year." (Gordon, 1978, pp. 323). Wage indexation has wealth consequences attached to it as well and the same groups pay the price of inflation corrections.

> Imagine that a supply shock, for instance an oil price increase, raises the consumer price index and that all wages are indexed to the consumer price index. If domestic firms have experienced no increase in the demand for their products, they will not be able to raise prices to pay for the higher wages. Thus supply shocks can cause business bankruptcies when wages are fully indexed. To prevent bankruptcies, the central bank may step in and raise the growth of aggregate demand, thus endowing indexed economies with a permanent increase in inflation resulting from a temporary supply shock. (*op. cit.*, pp. 326).

The Brazilian and the Israeli economies with their indexing systems were particularly vulnerable to the supply shocks of 1973-74 and the sudden increase in oil prices (Robock, 1975; Aridor et. al., 1984). It was only natural that by 1984 a conservative Likud government argued for the elimination of the wage indexation system initiated by the Israeli Labor government (Mevorach, 1984).

In the United States, homeowners and the self-employed are the major beneficiaries from the existing unindexed inflation system. Republican administrations prefer the status quo to a politically dangerous indexation intervention. Status quo refers to the present partial social security conditional indexation compensation system which leaves intact the above-mentioned groups of homeowners and self-employed.

Assuming absence of such interference, Republican adminis-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

trations are hypothesized to experience a positively sloped Phillips curve as suggested by Friedman, yet, unlike Friedman, it is arguable that this relation holds true for the whole post-war era, not only the post-oil crisis years. Homeowners' benefits were long present before the outbreak of the 1973 supply shock, and this leads us to suspect the comprehensive indexation to be undesirable from the Republican standpoint.

Rising inflation has led to an erosion in wages and savings accounts with no compensation to the workers and renters, the weak components of society. Yet Democrats, with their unemployment awareness, hold forth the promise of untangling the Phillips circle and reducing unemployment. With Republicans, the average individual is expected to accept the impact of changes in aggregate demand, in decreasing real disposable income, and consequent employment fluctuations.

Inflation hurts even when it takes a downward trend. A 1% inflation rate still has meaningful implications on real disposable income when mediated by income changes and rent increases to adjust for inflation. There are no balancing benefits created by the adjustment of property values to inflation and there remains a fixed interest rate on mortgages.

The weaker groups, it is hypothesized, perceive inflation as a threat no matter how great it may become. They pay its price at any existing level. The employment consequences are far more threatening to them and the price paid is probably even higher. Indexation puts a wall between inflation and unemployment and this assures that no side-effects spill over from inflation to unemployment.

Indexation was never practiced in full in the United States, yet under Democratic administrations, by ignoring the otherwise fooling irrelevant signals provided by the market (inflation included), the public enjoyed a degree of protection from unemployment. The hypothesis presented here is that Democrats have found a surrogate to indexation, at least as far as the linkage between unemployment and inflation is taken into account.

Under Republican administrations economic signals direct expectations. Rising inflation rates make it difficult for the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

market to adjust and for contracts to be designed over longer periods of time. Employment figures will be associated with inflation rates. Republicans are less interventionist, especially when unemployment is of concern. Unemployment is politically less dangerous and less threatening for Republicans. Republicans will enjoy the employment consequences of declining inflation, and pay the employment prices of rising inflation. The Republican Phillips curve is assumed to be identical for both rising and declining inflation rates, as opposed to both the explanations provided by Friedman (1977) and Wells and Gootzeit (1981). Market adjustment to a declining inflation rate is delayed yet rational. Clearer information allows for contracts to be designed for longer terms as uncertainties due to prices are minimized to allow for a lesser degree of employment fluctuations.

The unsophisticated individual assumed under the negative Phillips curve has not been in existence during the post-war era to the degree assumed by the negative Phillips curve advocates. The use of the interventionist discrimination rule for discarding/accepting information as relevant is far too simplistic to assume significant changes in the course of twenty years or so.

The simple negative Phillips curve justification was one that assumed money wages to remain constant while expansionist monetary and fiscal policies offered new profit opportunities to businesses. This was to be achieved by way of increased levels of spending and consequent output and employment. Uncertainty implications to firms on the production side (prices of raw materials, etc.) were ignored, but more important, the organized and unorganized individual worker, otherwise rewarded with instantaneous adjustment capabilities to systematic non-surprising monetary and fiscal interventions, was left to be fooled for the so-called short-run with sometimes months elapsing before he or she was allowed to adjust. On the one hand we perceive an adjusting individual and on the other an irrational worker who permits the gradual erosion of his income with no immediate reaction.

An adjusting average individual with the capabilities

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

assigned to him under ratex theory should be able to incorporate surprises into his decision-making processes and this enables him totally to discard interventionist behavior when confronted with an interventionist administration (Democrats). It also allows him to make surprises work to his own benefit in a more relaxed environment, by assuring that surprise interventions will have an all-encompassing effect preventing a non-selective frequent use of policy means during Republican administrations. Consequently, Republicans are confronted with an economic system in which erroneous intervention proves disastrous in both fields.

Economic reality operates in accordance with political wishes. During Democratic administrations intervention is assumed to have a favorable outcome, one which leads a separation of inflation and unemployment. This serves both public officials and any individual concerned about unemployment in the short term. Republicans have to be reminded of their inflation responsibility, as it is not evident that Republican identifiers lose from low levels of inflation. Thus, inflation is tied to other economic indicators and this creates a sufficient incentive for Republicans to curb inflation, where it is considered big enough a problem to be fought against.

A new feature to ratex theory is thus the implicit assumption that a conscious anticipation of surprises occurs to offset unwanted intervention consequences. The assumption elevates the average individual to a more sophisticated level. The more sophisticated individual metaphor is capable of incorporating an inflation premium to wage calculations with a shorter lag than the one assumed earlier in the negative Phillips curve literature. It means a reaction to monetary expansion with a decreasing rather than increasing level of employment due to the uncertainty introduced.

Methodologically it is suggested that the political party of the president acts as a moderator, or intervening variable, in the relationship between inflation and unemployment. In addition to Lucas' specific observation, this general concept was put forward by Godwin and Shepard (1976) in a related context and was also employed by Tufte (1978) when he

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

considered the intervention impact of presidential election years (pp. 22). To test for differences between the two differing patterns of correlations between inflation and unemployment during Republican and Democratic administrations, a test suggested by Blalock (1979) was used. It demonstrated that the political party of the president has significant moderating effects on the relationship between inflation and unemployment.

Phillips Curve Results

The inflation-unemployment trade-off examination followed Friedman's directional hypothesis and maintained that inflation leads to unemployment with a certain lag (in his design a six months lag). Hypothesized directions in the research were positive for Republicans and zero for Democrats. It was expected that the trade-off would be consistent even after the introduction of the broader model for reproducing unemployment and the results seem to be in accordance with the hypotheses.

In the following two tables a simple breakdown of the INL-UN inflation lagged-unemployment relationship is presented for each of the separate partisan administrations. The two partisan administrations manifest clear within-group similarities and between-group differences excepting that of the Kennedy term in office.

Republican presidents and Kennedy seem to follow the term in office both-down, both-up pattern in the inflation lagged (INL), unemployment (UN) trade-off representation. Only four years fall under different categories. No Republican president falls under one, up or down category, for the whole term(s). The number of both-down years, nine, is similar to the number of both-up years, seven.

Democratic presidents, save Kennedy, follow a very different pattern. Each of the three, Truman, Johnson, and Carter has at least two years of INL-up; UN-down, but each one also falls under at least two other categories providing us with an overall zero correlation between INL and UN, and probably a zero correlation within each administration as well. Kenne-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

dy performed as a Republican president in his three year term. In 1962 the economy fell under the both-down category and in 61, 63 under the both-up category. The 1964 tax cut proposed by him and passed in Congress in 1964, after his death, might offer a partial explanation for his term being an exception to the Democratic pattern. As a matter of fact, the three consecutive years after his death, assigned to Johnson, all followed the INL-up; UN-down trend.

The simple Pearson correlation between INL and UN on the annual level for Democratic administrations amounts to 0.08278 with a significance level of 0.36809. The number of cases for this examination is 19 (1945 lost due to the lagged inflation).

The simple Pearson correlation between INL and UN on the annual level for Republican administrations is 0.69654 with a significance level of 0.00032. The number of cases for this examination is 20.

Quarterly results resemble the annual findings but with a weakened trade-off between INL and UN for Republican administrations.

The simple Pearson correlation between INL and UN on the quarterly level for Democratic administrations is -0.07018 with a significance level of 0.54152. The simple Pearson correlation between INL and UN on the quarterly level for Republican administrations is 0.30148 with a significance level of 0.00657. Autocorrelation results for both the annual and the quarterly levels of analysis were not obtained and thus were not corrected for if and when existent.

The Republican-positive, Democratic-zero Phillips curve relationship remained stable even when a broader framework, both annual and quarterly, for unemployment reproduction was incorporated. On the quarterly level, INRL (inflation lagged under Republican administrations) appeared to be positive and significantly correlated to UN (unemployment) even when controlling for two lags (UNL, UNL2), the lagged war dichotomy (WARL), and lagged oil prices (OILL). (For a more detailed justification of the above specification, and the annual results, see Mevorach, 1985).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The quarterly unemployment equation, with an adjusted R square of 0.96719 included INRL with a standardized beta of 0.05 and a T-value of 3.19, significant at 0.002.

Also addressed was the expectational-direct stimuli dilemma. Embodied in the thesis is the presumption that Democratic UN equations allow for direct stimuli effects of INL, as expectational impact is hypothesized to amount to zero. Thus, following the hypotheses, any inflation impact shown to be significant during Democratic administrations is due to direct stimuli effects of inflation on unemployment. INDL (inflation lagged during democratic administrations) was thus added to the unemployment quarterly equation.

In Tables 3-5, regression results of the direct stimuli-expectational examination are exemplified. The initial UN equation was estimated with the additional INDL determinant. INRL kept its original standardized coefficient, 0.05, with a very similar T value, 2.55. INDL, in accordance with the simple Phillips curve correlations presented above, was assigned an insignificant beta. The quarterly equation shows no autocorrelation indication.

Although indicating a zero direct stimuli impact during Democratic administrations as follows from my zero expectational hypothesis for Democrats, one could still hold, following a different framework of analysis, that expectational effects, during Democratic administrations, counter direct stimuli effects, to provide with a zero overall INL-UN partial correlation.

INRL proves to be superior to the undiscriminating INL (inflation lagged for the whole period) as demonstrated in Table 5. Here again, no problematic autocorrelation indication is existent.

The Phillips curve results, as presented above, comply, for the most part, with the initial modeling and prevailed over a variety of controlling exercises to sustain a positive correlation with UN during Republican administrations.

As suggested earlier, the differences between INL-UN relationships due to administration changes were compared with those obtained by utilizing Friedman's three periodical

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

stages (1977). Blalock's testing for the difference between two correlations for two independent samples was applied.

The raw correlations for Friedman's long-run shift observation and the annual level in my research are as follows:

1945-1960	**1961-1973**	**1974-1984**
n = 15	N = 13	N = 11
R = -0.1818	R = -0.0674	R = 0.254
sig = 0.258	sig = 0.413	sig = 0.225

The correlations, although insignificant, follow the three stage discussion presented earlier.

Again, the annual raw correlations for the administration intervention hypothesis are as follows:

Democrats	**Republicans**
n = 19	n = 20
R = 0.08278	R = 0.69654
sig = 0.36809	sig = 0.00032

The above raw correlations translate to the following z scores obtained from Blalock (the transformation of R's into z's is taken from Table K in Blalock, *op. cit.*, pp. 617-618):

Comparison Period Administrations	**Z score 1.75 (significant at 0.05)**
1945-60 vs. 61-73	0.27
1961-73 vs. 74-84	-0.68
1945-60 vs. 74-84	-0.95

The long-run comparison conforms with my model better than with the periodical developmental explanation provided by Friedman.

Upon a comparison of Democratic years versus Republican years in each of the sub-periods offered by Friedman, the results remain similar. Democratic years are without doubt significantly different from Republican years. The results are not reported here due to the small number of years and the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

difficulty in constructing a meaningful reliable comparison for each sub-period, yet the need for a separation is evident.

Conclusions

Friedman has suggested that government policy about inflation and unemployment has been at the center of political controversy. Ideological war has raged over these matters. It is further suggested here that the drastic change that has occurred in economic reality is probably a result of that ideological warfare. It has resulted from divergent political beliefs or aims. It has responded to the force of events, too: brute experience together with different ideologies seem to account for the changing relationship between inflation and unemployment.

The traditional Phillips curve and its followers have to be divided when discussed and presented. Different curves and trade-off formats exist under different partisan administrations.

The Democratic-neutral, Republican-positive Phillips curve extends to the short-run as well. Quarterly examinations have confirmed the long-term hypothesis to be also existent in the short-run.

The differential political impact maintains its significance even when different screening methods were applied. The simple Pearson correlation between INL and UN replicated itself in the regression equations and in addition some overall models were operationalized to provide us with a more complete explanation of unemployment. Results were similar on both annual and quarterly, short and longer-run examinations, yet, at different strengths.

The political Phillips curve presented here should be incorporated into further macroeconomic models. If not as a substitute to the original three stage model, then at least it should serve as an additional consideration to be taken into account during analysis.

Hibbs and Beck's underspecified unemployment models were further examined and their partisan or personal administration effects proved to be erroneous in light of the broader specification provided here. The introduction of oil prices and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

lagged inflation to the model enabled the significant inclusion of the war dichotomy, much desired but never achieved by Hibbs. When economic considerations were added, namely the Phillips curve hypothesized trade-offs, results cast doubt on the whole Hibbsian model. When controlled for the two lags, oil prices, wars, and the Phillips curve relationship, partisan administration shows no significant impact on unemployment. And when the B coefficient washes out, the non-linear highly sophisticated highly questionable D coefficient falls with it. As Beck concludes:

> ... note that if the b term is zero, i.e., if party has no effect, then the d term (speed of adjustment) is not identified. Insofar as the b term is small but not zero, many values of d will be roughly consistent with the data. (pp. 92).

Later applications (Alt, 1985) with the newly introduced terminology (to adjust for the D coefficient and the sustained versus transitory hypotheses), fall apart when confronted with a zero B coefficient due to the more conclusive model specification for unemployment (for the more extensive analysis, see Mevorach, 1985).

The independent political effect on unemployment presented in this paper is partial. The political context, including both the partisan and the personal hypotheses, can be incorporated in order to pursue the private political control of the economy hypothesis even further. Pursuant to the removal of lagged effects via autocorrelation correction measures, although unwarranted according to classical autocorrelation tests, the "hidden" underlying political effect "shines through" to further confirm the discriminative decision- making process discussed above and introduce an equally strong mixed, political and economic, model of unemployment (Mevorach, 1985). Due to space limitations the present paper excluded the independent political impact on the Phillips curve existing during Democratic administrations, and dealt with only the intermediate partisan rule provided here.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Data Sources and Methods for Data Operationalization

Unemployment Rate (civilian workers, year to year).

Annual: Economic Report of the President, February 1985, Table B-29, 226.

Quarterly:

1945-1946: The Economic Report of the President, January 8, 1947, Table XII, 51 (December 1946, Midyear Economic Report of the President, July 21, 1947, Table VII, 67).

1947-1977: Macroeconomics, Robert J. Gordon, Little, Brown and Company, 1978, Table B-2, XVIII-XXI (seasonally adjusted).

1978-1980: Economic Report of the President, January 1981, Table B-27, 265 (seasonally adjusted).

1981-1983: Economic Report of the President, February 1984, Table B-29, 255 (seasonally adjusted).

1984: Economic Report of the President, February 1985, Table B-33, 271 (seasonally adjusted).

Inflation Rate-Consumer Price Index (for all items, year to year, 1967=100).

Annual: Economic Report of the President, February 1985, Table B-54, 294.

Quarterly: Economic Report of the President, various issues. Inflation rate was computed as follows:

(INCPI-INL)/INCPI

Due to rounding, Unemployment Rate and Inflation Rate-Consumer Price Index, quarterly observations may vary from their annual counterparts.

Oil Prices: Oil prices were taken from two sources:

1945-1954: Paying for Energy, Report of the Twentieth Century Fund Task, 1975, 46-47, Table 3: Prices and Government Takes: Oil at the Persian Gulf, Estimated Market Price (current dollars per barrel). For 1945-1954, posted instead of estimated price. Data for the missing years in Table 3 (1946,51,59,54) are derived by linear interpolation between given annual values.

1955-1984: Sub-Saharan agriculture and Trade Prospects, Shamsher Singh, World Bank Staff Working Papers number 608, Washington, D.C., 1983, 42, Table 11: Inflation and Petroleum Prices, Average OPEC Petroleum Prices (current dollars per barrel). Quarterly observations for 1983-84 are linear interpolations between 1982 actual price and 1985 forecast.

The prices in both tables are almost identical for overlapping periods. Quarterly observations for a given year through 1972 have identical

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

values. Beginning in 1973, quarterly adjustments were made, following rapid changes (increases) in oil prices. Quarterly observations were adjusted for rapid annual changes via linear interpolations or using the more detailed information for 1973 and 1974 provided in Paying for Energy, Table 3. The prices in both tables mentioned above are based on Arabian light 34 at Ras Tanura.

War: World War II: formal end-August 14, 1945. Following different applications, for example, A Century of Evidence on Wage and Price Stickyness in the United States, the United Kingdom, and Japan, Robert J. Gordon in James Tobin (ed.), 1983, 84, 1946-47 were included as war years. Gordon included 1946-47 as war years in his explanatory equations for annual changes in prices, wage rates and the real wage rate in the United States, 1892-1980.

Korea: June 27, 1950 through July 27, 1953. Source: The Wages of War 1816-1965 – Statistical Handbook, J. David Singer and Melvin Small, John Wiley and Sons, Inc., 1972, 68. The first quarter of 1950 was coded as a peace quarter, from then on, war. The first three quarters of 1953 were coded as war quarters.

Vietnam: Beginning on April 1, 1965. Source: United States Foreign Policy and World Order, James R. Nathan and James E. Oliver, Little, Brown and Company, Third Edition, 1985, 314: "On April 1, 1965 President Johnson ordered that American troops would be used in offensive action in South Vietnam..." Ending on January 23, 1973 with the Paris peace agreement. Source: White House Years, Henry Kissinger, Little, Brown and Company, 1979. The Vietnam war was coded, beginning in the second quarterly observation for 1965 and ending in the second quarterly observation for 1973.

REFERENCES

Alt, J. E.
1985 "Political Parties, World Demand, and Unemployment: Domestic and International Sources of Economic Activity," *American Political Science Review* (APSR), 79:1016-1040.

Aridor, Y.
1987 "Dollarization – The Arguments For and Against – A Colloquium," *The Economic Quarterly*, 121:124-42 (Hebrew).

Beck, N.
1982 "Parties, Administrations, and American Macroeconomic Outcomes," *APSR*, 76 (March) :83-93.

Blalock, H. M. Jr.
1979 *Social Statistics*, McGraw-Hill.

Cox, D. R. and E. J. Snell
1981 *Applied Statistics – Principles and Examples*. Chapman and Hall.

Economic Report of the President, January, 1979.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Economic Report of the President, February, 1982.

Friedman, M.

1968 "The Role of Monetary Policy," *American Economic Review*, 58: 1-17.

1977 *Inflation and Unemployment: The New Dimension of Politics*. The 1976 Alfred Nobel Memorial Lecture.

Friedman, M. and R. J. Schwartz

1963 *A Monetary History of the United States. 1867-1960*, Princeton, N.J.: Princeton University Press.

Godwin, R. K. and W. B. Shepard

1976 "Political Processes and Public Expenditures," *APSR*, 70:1127-1135.

Gordon R. J.

1975a "Alternative Responses of Policy to Eternal Supply Shocks," Brookings Papers on Economic Activity, 1: 183-206.

1975b "The Demand and Supply of Inflation," *Journal of Law and Economics*, 18:807-836.

1978 *Macroeconomics*. Little, Brown and Company.

Gray, J. A.

1976 *Essays on Wage Indexation*, unpublished Ph.D. dissertation, University of Chicago.

Hibbs, D. A. Jr.

1977 "Political Parties and Macroeconomic Policy," *APSR*, 71: 1467-1487.

Jaffe, D. and E. Kleiman

1975 The Welfare Implications of Uneven Inflation," Seminar Paper no. 50, Institute for International Economic Studies, University of Stockholm.

Lipsey, R. G.

1960 "The Relation Between Unemployment and the Rate of Money Wage Changes in the United Kingdom, 1862-1957: A Further Analysis," *Economica*, 27:1-31.

Logue D. E. and T. D. Willett

1976 "A Note on the Relation between the Rate and Variability of Inflation," *Economica*, May: 151-58.

Lucas, R. E. Jr.

1976 "Econometric Policy Evaluation: A Critique," in Karl Brunner and Allan H. Meltzer (eds.) *The Phillips Curve and Labor Markets*. Amsterdam: North Holland.

Mevorach, B.

1984 "Inflation, Dollarization, and Yoram Aridor," *The Economic Quarterly*, 123:476-78 (Hebrew).

1985 *Politics. Economics, and American Macroeconomic Outcomes – The Cases of Post-War Inflation and Unemployment*, unpublished Ph D. dissertation, University of Minnesota.

Perry, G. L.

1966 *Unemployment, Money Wage Rates, and Inflation*, Cambridge, Mass.: M.I.T. Press.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Phelps, E. S.
1967 "Phillips Curve, Expectation of Inflation Optimal Unemployment Over Time," *Economica*, 34:254-81.
1970 "Money Wage Dynamics and Labour Market Equilibrium," in, *Microeconomic Foundation of Employment and Inflation Theory*, New York: Morton.
Phillips, R. W.
1958 "The Relationship between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom, 1861-1957," *Economica*, November: 283-99.
Robock, S. H.,
1975 "Anti-Inflation Lessons from Abroad; The Brazilian Experience," *Proceedings of the Academy of Political Science*, Vol. 31, no. 4.
Sargent, T. J.
1979 *Macroeconomic Theory*, Academic Press.
Snyder, D.
1975 "Institutional Setting and Industrial Conflict: Comparative analysis of France, Italy and the United States," *American Sociological Review*, 40:259-278.
1977 "Early North American Strikes: An Interpretation," Industrial and Labor Relations Review, 40:325-341.
Tufte, E. R.
1978 *Political Control of the Economy*. Princeton.
Wells R. and M. J. Gootzeit
1981 "Rational Expectations and the Positively Sloped Phillips Curve," *Economic Forum*, 12:121-29.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

WILL CHINA HAVE HER PERESTROIKA IN THE YEAR 2000?

Jimming Lin
University of Ottawa
Alex Chang
Wayne State University

The resurgence of Japanese economic power and the rapid economic growth of the newly industrialized Pacific Rim countries – notably the "four tigers" of East Asia: Taiwan, South Korea, Hong Kong and Singapore – have become important items on the agenda of international studies. Mainland China also has progressed substantially over the past ten years under Deng Xiaoping's *Open Door Policy*. However, the image of the Chinese giant becoming rapidly modernized was shattered by the Tiananmen Square incident, which resulted from an infusion of the Western concept of "news-media freedom" and "political democracy" combined with an inefficient pattern of distribution and an atmosphere of economic uncertainty in China. Ignited by the death of party leader Hu Yaobang, Chinese university students started a nation-wide protest against the Communist regime which lasted from late April to early June, 1989. On the evening of June 4, the Beijing government finally sent in tanks to crush what was described as a "very, very small faction of anti-revolutionists." Two years later, this tragic incident in China was partially reflected in disturbances which led to the destabilization of Eastern Europe's Marxist governments. But while we have witnessed the unification of the two Germanies, as well as emergent democratic revolutions in Russia, Poland, Czechoslovakia, Hungary and other former Marxist controlled European nations, there has been no such collapse of Communist government in China.

Despite the claim by some Chinese dissidents that the Chinese Communist government would collapse within a year of the Tiananmen Square incident, the Beijing government

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

has effectively stabilized the situation and again controls the course of political and economic development. Will China finally accept "Russian Revisionism" or "corruptive Western ideology" and have her own *perestroika* in the near future? This is a serious question which has important implications for the political stability of the entire Asian continent.

From Cultural Revolution to the Open Door Policy

To be successful in her efforts to modernize, China faces extraordinarily difficult tasks which require its younger generation to be equipped not only with superior technical management skills, but also to possess the ability to take risks, the ambition to achieve, the flexibility to adapt, and the dynamics to innovate. However, modern Chinese culture and values have been shaped by an unfortunate history of both domestic and foreign oppression, hence the road ahead is hampered by the deep scars of past political turmoil (Buchanan, Fitzgerald, & Ronan, 1980; Salisbury, 1983).

The Great Proletarian Cultural Revolution of 1966 to 1976 was intended by Mao to revitalize Chinese society which was deteriorating rapidly under Communist rule. However, the social movement organized by the Red Guards, first recruited from university students, then from among high school students (often under 16 years of age), and later among the workers, inflicted even greater damage, disrupting whatever order remained in Chinese society and particularly destroying the workings of the university system. More than one million Red Guards were transported to Beijing in August 1966 to be used as an instrument of political oppression on recalcitrant members of the party hierarchy and intellectuals. "Bourgeois elements" – which term included academic scholars, artists, actors, musicians, and the entire educated class – were the prime target of this persecution. The entire educational system was put on hold for half a year, examinations were abolished, and the effectiveness of the remaining teachers was limited by a reorganization of the universities under the leadership of the "proletariat class." Even admission to college was for a time to be determined primarily by the students' family background,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

with favor being given to the children of the party leaders, peasants, factory-workers and soldiers. In 1968, the army had to be called in to restore stability to those regions where order had totally broken down and a state of civil war existed. Under such disruptive conditions, Chinese academic and educational standards fell sharply.

This radical situation came to an end in 1976 with the death of Mao and the arrest of the "Gang of Four," who were held responsible for the excesses of the movement. In 1978 standardized admissions examinations were reintroduced, and under the present competitive system only one-fourth of the examinees succeed in obtaining entrance into universities (Chinese State Education Commission, 1988, p. 53-56).

Since 1978, the modernization drive has place unprecedented attention on education. Education was listed as the strategic priority in the overall socialist modernization drive under the slogan that "Education is the most important task for future generations" (ibid, p. 15). And in 1985 Deng Xiaoping told a national educational meeting that: "Our economic development plan is drawn from our ambitious educational plan ... The strength of our national power and economic development will gradually depend on the quality of labor force, and the number and quality of intellectuals" (Zhang, ed., 1986)." The new leaders of the Chinese government recognized the importance of education in achieving the goals of their "Four Modernizations." (Chinese State Educational Commission, 1987). The Chinese government foresaw that the best way to optimize Chinese improvements in the higher education structure was to train professionals in those areas where economic development most urgently needed them. (ibid, p. 26).

The Tiananmen Square Incident

The year 1989 marked the fortieth anniversary of the establishment of the People's Republic of China (PRC). Unlike the older generation, the current generation of Chinese students does not carry with it the burden of the memory of past conflicts such as the Japanese occupation, the Civil War

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

between the upstart Communist party and the then Nationalist Chinese government, or the Cultural Revolution.

After the educational and cultural destruction wrought by the Cultural Revolution, Deng Xiaoping's policy was to welcome foreign business under the "Open Door" policy of the last decade. However, the pace of modernization has been slow and the direction unsure. The attitude of the vast majority of Chinese peasants, who constitute about 80% of the total population, is decidedly anti-intellectual. There were reports in the *Guanming Daily News* in late May, 1989, that peasants in Henan province were beating elementary school teachers. Such teacher-abuse cases were witnessed in many provinces (Ethridge, 1990). Moreover, the relatively low incomes of the highly educated does not help to improve their status (Cheng, 1988; Lee, 1988). Chinese students who had been given the opportunity to study abroad did not seem to want to return. A special report in *The Chinese Youth Daily* (1988) presented a dismal picture of disillusionment among thirty-eight MBA students after they had returned from graduate business study at Western universities.

During the Cultural Revolution, educational and career opportunities were determined largely by family and political background, preference being given to the children of workers and party activists. Even today, the social networks among parents (*guanxi*) largely determine the career prospects of young people (Huan, 1989), and there is a popular saying that "it is better to have a politically astute father than to study hard." Furthermore, intellectuals complain that their incomes are much lower than those who manage small businesses. As another current Chinese saying bluntly puts it, "he who designs missiles earns less than he who sells 'tea eggs' on the street corner." To make matters worse, the majority of intellectuals who live on low fixed incomes suffered severely from the high inflation, which rose from 18.8% in 1988 to 25.5% in the first half of 1989 (Huan, 1989). As a result, reports from mainland China and Hong Kong indicate that the student dropout rate at the graduate level was unusually high during that period (Cheng, 1989). These problems present China with

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

almost insurmountable obstacles on the road to modernization.

In 1989, China's economic situation was highly unstable. The nation faced double digit inflation and huge fiscal and trade deficits. The sudden death of the deposed general secretary of the Communist party, Hu Yaobang, sparked widespread demonstrations affecting over eighty Chinese cities (Huan, 1989). One of the writers visited several Chinese universities between late April and mid-June, 1990, and was an eye-witness to the turmoil following the student uprising which resulted from the students' unrealistic expectations. Their uprising came several years too soon.

Chinese universities have been resuscitated by abandoning the Open Door policy in favor of standardized entrance examinations, and the number of undergraduate students has grown from pre-Cultural Revolution levels of half a million to almost 2 million in 1990. The university students who participated in the protest are, as Chinese Premier Li Peng claimed, "a very, very small faction". The total number of students currently registered in universities and college remains roughly 2 million, less than 0.2% of the total population (Chinese State Education Commission, 1988, p. 72). Even including all the graduates from the past ten years, the total number of new "intellectuals" possessing a formal university education is less than 10 million, or less than 1% of the total population. During the protest, the students enjoyed a few weeks of support from Communist-controlled news media, but the workers and peasants did not fully understand the purpose of the protest and did not participate in the students' strike.

What Could Happen to China From 1990 to 2000?

Just as the changing weather affects the growth of trees and leaves different patterns in the concentric tree rings, so changes in the educational system affect the structure of a nation's demographic quality. By studying such demographic patterns we may postulate national behavior in the future. This research has considered the status of three Chinese age groups as they may appear in the year 2000: the senior group (made up of the those who will be sixty years old and up), the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

leader group whose ages range from forty-five to sixty, and the younger group of educated persons who will be aged thirty years old or less.

The Old Generation Will Gradually Pass Away

The present Chinese Communist Party leaders are aging and are passing away quickly because most of them are well over the average Chinese life expectancy of 67. Most of the powerful senior leaders of the Central Chinese Communist Party of 1987 (Deng, Chen, and Yang, etc.) will either have gone or will be too weak to manoeuvre in the year 2000 because they will be over 90 years of age. The rest of the less powerful leaders were too young in 1949, and thus did not have a chance to build up their reputations in the Sino-Japanese War or the Nationalist-Communist Civil War (refer to Table I).

Once the powerful senior leaders pass away, it is the opinion of the authors that their successors will not possess sufficient charisma to rule over this gigantic nation of more than one billion people. During the student protest in the spring of 1989, the students openly criticized Premier Li Peng. Slogans like "Hang Li Peng to Death" were seen in most of the major cities.

The Poor Quality of Academic and Business Leaders of The Lost Generation

The Cultural Revolution seriously retarded the education of those who were high school and university students between 1966 and 1976. By the year 2000, this affected group will be the leaders of Chinese society. They were deprived of a normal education during the Cultural Revolution, and consequently their leadership abilities will be weaker. This is called "a fault in the composition of human resources" in China. In 1986 and 1987, several reports indicated that the number of qualified academic and business leaders was not smoothly distributed across the different age groups. A high proportion belonged to the age group of 45 and over and those in the age group of 35 to 45 showed much lower ability (He, 1989, pp. 400-403 and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

pp. 388-392; Xian Jiaotong University, etc., 1988, pp. 97-102; Huazhong University of Science and Technology, etc., 1988, pp. 103-111; Economic Management College of Tsinghua University, etc., pp. 112-121). The problem is especially serious in the management area (Zhang, 1986, p. 322-346). This age group would normally become leaders in all facets of Chinese society, but they are not well educated. In brief, the quality of academic, business and political leadership in China will be very fragile in the year 2000.

List of Senior Chinese Leaders

NAME	YEAR OF BIRTH	AGE IN 1949	AGE IN 2000
Deng Xiaoping	1904	45	96
Chen Yun	1905	44	95
Zhao Ziyang (Deposed)	1919	30	81
Li Peng	1928	21	72
Qiao Shi	1924	25	76
Hu Qili	1929	20	71
Yao Yilin	1917	32	83
Wan Li	1916	33	84
Tian Jiyun	1929	20	71
Jiang Zemin	1926	23	74
Li Tieying	1936	13	64
Li Ruihuan	1934	15	66
Li Ximing	1926	23	74
Yang Rudai	1926	23	74
Yang Shangkun	1907	42	93
Wu Xueqian	1921	28	79
Song Ping	1917	32	83
Hu Yaobang (Deceased)	1915	34	d.
Qin Jiwei	1914	35	86
Ding Guangen	1929	20	71

Table I: Age of Central leader in Chinese Communist Party. (Source: Foreign Languages press, *Documents of the Thirteenth national Congress of the Communist Party of China*, 1989).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The "Little Emperors" Under the One-Child Policy

Worried by the thought that the U.S. or the Soviet Union might attack China with nuclear bombs, Mao mistakenly encouraged the Chinese population to increase by over 100% to more than one billion people today. Chinese demographic experts have predicted that by the year 2000, the Chinese population will have reached 1.20 to 1.28 billion. With limited arable land available to produce food, China has since attempted to enforce a strict "one child policy" upon her people, with some success. Each member of the new generation, therefore, is spoiled by two parents and four grandparents, and these youngsters have been given the nickname "little emperors." Researchers have observed that many Chinese families sacrifice their own material enjoyment to support their only child's education. Such mass-produced "little emperors" are expected to be more self-centered than social-centered, and it is forecast that they will behave in a more rebellious way than their forebears. By the year 2000, the "little emperors" aged below 30 will be not be easily controlled by an older generation of weak leaders who have been more poorly educated.

Conclusion

In conclusion, the quality of Chinese Communist leadership will be weaker by the year 2000 due to disparities in education and personality between these three age groups. Of the group presently sixty years old and up, comprising today's powerful senior political leaders, many will have passed away and those who still hold office will be handicapped by their great age. The group between forty-five to sixty years old has been adversely affected by the results of the Cultural Revolution and will be deficient in the qualities needed for successful political, business and academic leadership. Meanwhile, those who will then be aged under thirty may be expected to behave somewhat similarly to the younger generation of Japanese "new human beings", i.e. they will be more rebellious, rejecting tradition and despising "the old junks."

The impact of these changes will be substantial both on China and her neighbors. If China fails to evolve a more

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

modern and democratic system of government within the next ten years, another and more serious Tiananmen Square eruption will surely occur before the year 2000.

REFERENCES

Buchanan, K., Fitzgerald, C.P., and C.A. Ronan
1980 *China: The Land and the People*. New York: Crown Pub. Co.

Cheng, Y.
1988 "The Early Deaths of Middle-Aged Chinese Intellectuals." *The Nineties Monthly*, Hong Kong: Going Fine Ltd., April, pp. 19-21.
1989 "Mainland Chinese Graduates Compete to Fail," *The Nineties Monthly*. Hong Kong: Going Fine Ltd., January, pp. 27-29.

Chinese State Education Commission
1987 *A Survey of Educations in China*, The People's Republic of China.

Chinese State Education Commission
1988 Education in China: 1978 - 1988, The People's Republic of China.

Chinese Youth Daily
1988 "The Fate of 38 Chinese MBAs," reproduced in *The Nineties Monthly*, Hong Kong: Going Fine Ltd., pp. 52-56.

Economic Management College of Tsinghua University, etc.
1988 "Higher Industrial Management Education in China: Development and Problems," *Chinese Journal of Industrial Engineering and Engineering Management*, Hangzhou, China; No.1-2, Vol.2, 1988.

Ethridge, James
1990 *China's Unfinished Revolution: Problems and Prospects Since Mao*, San Francisco: China Books and Periodicals Inc., p. 208.

Foreign Languages Press
1989 *Documents of the Thirteenth National Congress of the Communist Party of China*, Beijing.

He, Boa Tsan
1989 *China in the Valley*, China: Gui-Zhou People Publishing Co., pp. 312-336, pp. 388-392 and pp. 400-403.

Huan, G.C.
1989 "The Roots of the Political Crisis: China After Tiananmen," *World Policy Journal*, Vol. 4, pp. 609-620.

Huazhong University of Science and Technology, etc.,
1988 "Technological Institutes: The Main Force to train Modern managers in Enterprises," *Chinese Journal of Industrial Engineering and Engineering Management*, Hangzhou, China; No. 1-2, Vol. 2.

Lee, T.B.
1988 "The Hardships of Mainland Chinese Medical Doctors," *The Nineties Monthly*, Hong Kong: Going Fine Ltd., July, pp. 70-73.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Salisbury, H.E.
1983 *China: 100 Years of Revolution*. London: Andre Deutsch Ltd.
Xian Jiaotong University, etc.
1988 "Enhancing the Construction of Teaching Force Major in the Science of Management of Technological Institutes," *Chinese Journal of Industrial Engineering and Engineering Management*, Hangzhou, China, No. 1-2, Vol. 2.
Zhang, Jeng, Chief Editor
1986 China Educational Yearbook: 1982-1984, China: Hunan Education Pub. Co.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE MAIN BRAIN DRAIN

Robert K. Graham and Paul H. Beattie
Foundation for the Advancement of Man

As the need for especially competent minds increases, some nations are experiencing a type of brain drain. This type occurs when there is a net migration of valuable individuals from nation A to nation B, usually motivated by better pay and working conditions. The migration of educated, well-trained people from nation to nation does not reduce the number of competent people worldwide; the human resources of the world are merely redistributed. The net effect on human quality worldwide is probably negligible.

There is, however, a greater and more sinister type of brain drain which does deplete the world of human quality. This main brain drain results from the failure of the people of developed nations to fully reproduce themselves. The seriousness of this type of brain drain is inestimable, but it dwarfs in significance any localized brain drain caused by emigration.

With the possible exception of Asian nations, most developed countries now have birthrates of about 1.57 children per couple. Since the average couple in developed nations must have statistically at least 2.1 children in order just to replace themselves, the peoples of these nations are diminishing, both in number and in average capability. This diminution is partially masked by immigration.

The causes of the failure of developed peoples to reproduce are not wholly obscure. Populations generally become less fecund as they become more industrialized, more urbanized, and more educated.[1] Large families, which are an asset

1. "There is a tendency of the best men in the country to settle in the great cities, where marriages are less prolific and children are less likely to live... There is a steady check in an old civilization upon the fertility of the abler classes; the improvident and unambitious are those who chiefly keep up the breed. So the race gradually deteriorates, becoming in each successive generation less fitted for a high civilization, although it retains the external appearances of one, until the time comes when the whole political

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in agrarian societies, become an economic handicap in urban societies, for their children require a substantial investment before they become productive members of society. Ironically, the most educated and intelligent people, the very people who are in urgent demand, are often the people who fail most conspicuously to reproduce themselves in developed nations.[2]

In developed nations, the lengthy pursuit of higher education entails a postponement of family life until the most fertile years are past. Many educated young people develop a negative attitude toward childbearing and childrearing. For many youths, the thought of raising children is unnaturally repugnant; after years of self-denial they want to indulge themselves, rather than providing for children. Very few of our educated class choose to have large families, and few accidental births occur, since the educated are more successful in applying birth control methods. As Mark Twain remarked: "Education is not so sudden as a massacre, but more deadly in the long run.[3] Meanwhile, non-self sustaining segments continue to have children at higher rates, encouraged by government programs which pass on the costs of those children to the economically productive members of society.

It is not certain that intelligent parents always produce intelligent children; nor do the unintelligent always beget unintelligent children. It is absolutely clear, however, that intelligent parents are more likely to produce intelligent

---

and social fabric caves in and a greater or lesser relapse to barbarism takes place,..." – Sir Francis Galton, *Hereditary Genius* (New York, Horizon Press 1952), pp. 347-348, reprint of an 1869 edition.

2. "There is a curious characteristic of the city which seems in all ages and all regions to have led to a lowered rate of reproduction. Mortality has perhaps often tended to be higher in cities than in the country, because of the increased hazards of disease; but fertility has also tended to be lower. It has been asserted that the great city has never reproduced itself, but has always depended on immigration from surrounding territories..." Marston Bates, *The Prevalence of People*, New York, Scribner's 1955 page 57.

3. "...Education (is) not as sudden as a massacre, but... more deadly in the long run." Mark Twain (quoted in *Changing Times*, July 1960, page 48).

"The educational system of the country acts as a sieve to sift out the more intelligent and destroy their posterity." Sir Godfrey Thomson, *The Trend of National Intelligence*, London, Eugenics Society, 1947.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

children than are unintelligent parents. Experts regularly estimate the heritability of intelligence to be between sixty and eighty percent.[4] If even a small percent of intelligence is inherited, then it does not take a genius to predict the long-term disastrous consequences of our artificial selection against the most useful and brightest. Just as our habitual abuse of the environment eventually pollutes the earth, so this unconscious, dysgenic selection gradually impoverishes the human gene pool. We are running down the battery which has powered human achievement through the ages. As long as the problem is not corrected, genes of proven fitness will continue to disappear from the human gene pool, possibly forever. Fortunately, the problem of the main brain drain can be corrected.

Since governments can draft their people to risk death in war, they might also require select couples to serve their countries by having more children. They could offer money, housing, or tax incentives to genetically well-endowed people to have more children, much as some governments currently reward the needy and dependent for each additional baby born. However, these are sweeping steps which await changes in outlook and in law.

Meanwhile, a voluntary approach is already in operation which increases the number of offspring of some of the most outstanding men. If expanded sufficiently, it could significantly counteract the main brain drain of today. This project is the Repository for Germinal Choice, conceived by Nobelist Hermann J. Muller. The Repository is best understood from the standpoint of its recipients.

Recipients are couples who want children but cannot have them because of the infertility of the husband. This occurs in almost 5 percent of the married population. Such couples now have a resource only recently brought into existence. The Repository can supply under liquid nitrogen the vital germinal

4. "In mental ability... 65 to 80% of the differences are due to heredity." - L.O. Bunn and Theodosius Dobzhansky, *Heredity, Race and Society* (New York: New American Library, a Mentor book 1952, page 22).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

material which enables the wife to become a mother. The insemination can be done by a physician, or he may wish to instruct the husband how to do it at home. The couple may choose from numerous information sheets the donor they would prefer as the germinal father of their child (hence the term: germinal choice). Since the offspring will spend a lifetime profoundly influenced by the genes of the donor (as well as those of the mother), the Repository undertakes to supply the most superlative genes to be found. For this germinal material it goes to Nobelists and younger healthy, creative scientists who, though unpaid, are willing to increase the distribution of the genes which helped to make them outstanding. Many of these are men whose accomplishments are recognized throughout the world. They have resolved problems which were previously unresolved. The world can have more of human assets such as these. With bright mothers and these genius fathers the probability of bright, healthy and creative children is maximized. None of the children born through the efforts of the Repository for Germinal Choice may prove to be geniuses, but most are highly gifted.

As yet, none of the children are over 10 years of age. All of those tested are advanced in their development. Their vocabularies are often twice the average for their age. These children significantly enrich the human gene pool and partially counteract the dangerous effects of the main brain drain.

To date the Repository in Escondido, California has facilitated the birth of one hundred and thirty-three children. All are vibrant, healthy and exceptionally bright. One can only speculate about their future achievements, but already this pilot project has produced over one hundred offspring of outstanding scientists, who otherwise would not have been born. Twenty-nine more are on the way.

To date the beneficial effects of the Repository for Germinal Choice are too minuscule to redress the tragically dysgenic selection of modern institutions and attitudes. However, if carried out on a much expanded scale, repositories like this could revitalize and restore the societies which are now being depleted.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

CIVILIZATION AND THE QUALITY OF POPULATION

Richard Lynn
University of Ulster, Coleraine, Northern Ireland

In *Beyondism: Religion from Science* (New York: Praeger, 1987), R.B. Cattell presents a major new statement of the case for taking a biological and evolutionary view of society. He elaborates his previous warnings about the genetic deterioration of the populations of the economically advanced Western nations which he set out at various times during his life, and more recently in 1981[1] and 1983.[2] He argues that we need to be far more conscious of the need not only to maintain but actually improve the genetic quality of the population. He suggests a number of ways in which this could be achieved.

The problem is particularly urgent because in the present century all economically advanced societies appear to be deteriorating genetically. This is due largely to the tendency of those with low intelligence and undesirable personality qualities, especially those of weak moral sense (weak super ego) and poor self discipline (weak ego strength), to have large numbers of children. This tendency was recognized early in the century by Sir Francis Galton and described as *dysgenic*. Since these qualities of intelligence and personality are genetically determined to a significant extent, the dysgenic birth rates must act to bring about a deterioration in the genetic quality of the population.

Cattell seeks to alert his readers to this trend and to propose ways in which it could be remedied. He attributes the trend largely to the development of systems of welfare which have encouraged those with less desirable genetic attributes to

---

1. "Ethics and the Social Sciences" by Cattell, R.B. in Ecology and Evolution (ed. R. Pearson) *Mankind Quarterly* Monograph No. 1, Washington, D.C.: The Institute for the Study of Man, 1981.
2. Intelligence and National Achievement, by R.B. Cattell, Washington, D.C.: The Institute for the Study of Man, 1983.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

have children. In many welfare systems those with children are provided with incomes and housing which are denied to those without children. Such policies have humane appeal on a short-term view, but on a long-term view they simply provide encouragement for large numbers of less genetically well endowed people to produce children.

Cattell argues that a further major factor dysgenic factor in the United States and many European countries has been the immigration of large numbers of people with genetically less desirable qualities than the host populations. He notes that approximately half of the population increase in the United States is coming from immigration.

At the same time as the genetically less well endowed have increased their birth rate, there has been a reduction in the birth rates of the more intelligent and those with more desirable personality qualities. This can be ascribed to the more efficient use of contraception, the desire to enhance the quality of social and professional life unencumbered by large numbers of children, and to the burden of taxation, much of it levied to support the children of those with little to contribute to society.

It is not easy to design practical political policies to check the dysgenic trends of contemporary advanced western societies and to put them into reverse. The tide of liberal opinion was more favorable to eugenic policies in the earlier part of the century and since World War Two it has turned strongly against them.

Cattell suggests stronger checks on immigration, reappraisal of welfare policies and reductions of taxation on the professional and managerial classes. The difficulties of getting eugenic policies adopted by politicians are clearly going to be considerable. Probably the most promising approach in practical terms would be to attempt to introduce the policies on other than eugenic grounds.

Nevertheless, it is important to try to rehabilitate the concept of eugenics as a socially important objective. In fact, we should aim to establish eugenics as a religion, for which Cattell gives the name of *Beyondism*. It will differ from other

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

religions in at least one respect and this is that it will adopt a more critical attitude towards the weak, the poor and the ill. While most religions have urged more compassionate attitudes towards these unfortunates, Beyondism takes the harsher view that they are weak specimens whose proliferation needs to be discouraged in the interests of the improvement of the genetic quality of the group, and ultimately of group survival. Thus Cattell sees excessive altruism as a kind of aberration and failure to recognize this as one of the weak points of Christianity. Excessive altruism is just as harmful as enslavement to sexual passions, violence, sloth, etc and would be the eighth deadly sin in the Beyondist catechism. The foremost positive value of Beyondism is to be the survival of the nation and for this the genetic quality of the population must be maintained and preferably improved. Jahoda[3] has criticized Cattell on this point on the grounds that group survival is only one of a number of values, and that Cattell is wrong to elevate it to the foremost position. But if a group fails to survive, its other values are not going to avail it much. There can be no doubt that Cattell has the best of this argument.

Cattell regards the present century as one of evolutionary backslide in the economically advanced nations of the West. Genetic deterioration of societies followed ultimately by takeover by another people is analogous to the extinction of a species or subspecies by a superior competitor. This is a prospect which should be taken seriously by the economically advanced nations of the West.

The last great downfall of a high civilization was the collapse of the Roman Empire. Cattell argues that a major part in this collapse was played by genetic deterioration, brought about partly by dysgenic birth rates and partly by large scale immigration of genetically inferior stocks. The same thing is happening to the advanced nations of the West in the present century. It remains to be seen whether politicians and public opinion can be alerted to this danger and take corrective

3. A Helping Hand to Evolution? By M. Jahoda, *Contemp. Psych.*, 34, pp. 816-7, 1989.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

BASIC COMMUNISM: ITS RISE, SPREAD, AND DEBACLE IN THE TWENTIETH CENTURY
By Dr. Clarence Carson
American Textbook Committee, Box 8,
Wadley, AL 36276. $29.95

Dr. Clarence Carson, a distinguished Alabama scholar of history and economics, has produced a survey of Communism – surely recognized by now as the blight of the Twentieth Century – from its Nineteenth Century theoretical underpinnings to its manifestations and practices in our own time.

Dr. Carson provides a patient and fair explication of the origins of this "ism." He does not attribute to Karl Marx any prescience about what would happen once ruthless revolutionaries used his philosophy as a means of grasping total power. Marx, a deeply-flawed man personally, was neither an idealist nor so evil a genius as to consciously prepare the horrors to come.

Yet the horrors came. The various Communist parties of the world have killed off more human beings, in the Twentieth Century, than any other gang in the history of the world. In addition to that, they have thwarted, twisted, and crippled the lives of their surviving subjects, so that a an estimate of the blighted man-years of human life would be an interesting subject for further study.

Consider, just as an example, a young person of twenty trapped in East Germany in 1945. "Free" in 1990, that person is nonetheless 65 years old. That single individual represents forty-five man-years of diminished human life.

And what has been learned by such an individual? That servility and cunning offer a better chance of survival, that hard work merely leads to exhaustion, that manifestations of common sense and initiative bring one to the ill-humored attention of the authorities, that self-reliance is impossible, that no one can be trusted...

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

That is an aside, but one must be painfully aware that Europeans are now faced with the job of crawling out of the cultural and spiritual rubble and cleaning it up – a task comparable to the aftermath of World War II in a great many ways.

The Communist abolition of private property rights is revealed as a measure which cuts the ground from under both human freedom and the law itself; it deprives the people of both the resources and the legal standing which at least permits possible resistance to raw and arbitrary power. One need hardly add that Communism deprives people of any more direct means of resistance, such as weapons and organization, too. "Total control" has always been the name of that game.

The author reveals the Marxist use of terrorist methods, to shatter existing social structures and relationships. And, of course, terror is useful after "the revolution" as well, for reducing the populace to obedience.

The "success" of the Communist system has lain in the methodology of conspiracy, in the business of grasping, holding, and enlarging power over subject populations. The vaunted "progress" to follow is largely illusory, although the West has been awash in "intellectuals" prepared to regard as progress anything the Communists do.

As an organized presentation of a large subject, the study of which is so terribly relevant to our Century, I have never seen anything comparable to this book. It will place in perspective (and perhaps correct) what you do know, and fill in the picture with a great deal of additional information.

American colleges and universities, which are, along with our mass media and entertainment worlds, the last redoubt of enthusiasts and true believers in Marxism, are precisely the institutions which need this book – and will be least inclined to do their students a service by making it available to them. One means of addressing that problem would be to buy the book, look it over for oneself, and then present it to the nearest college – preferably with a bit of fanfare, to make it more difficult for them to ignore and bury it.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE DECLINE AND FALL OF THE FREUDIAN EMPIRE
By H. J. Eysenck
Washington, D.C.: Scott-Townsend, 1990
Pp. 224, Hardback
ISBN 1-878465-01-5

From its beginning there has been controversy regarding the scientific status of psychoanalysis. While psychoanalysis shared the postulate of determinism with the nineteenth century physical and biological science in which Freud had been trained, it turned away from hard science to psychology and the unconscious. Freud saw objectivity as the mark of science, and he believed psychoanalysis was objective. Eysenck, however, sees psychoanalysis as riddled with subjectivity and consequent disagreement among its followers. It fails to qualify as a natural science, and is better seen as hermeneutics or the interpretation of encoded meanings of actions and experiences.

Eysenck's book is a wide-ranging examination of psychoanalysis intended for the general reader. It covers such topics as dream interpretation, the psychopathology of everyday life, effects of therapy, psychohistory, and experimental studies of psychoanalytic theories. The author's approach is primarily factual but at times becomes slightly polemical. Psychoanalysis is examined as a general theory of psychology, as a method of therapy, and as a method of inquiry. With respect to each of these it is found wanting.

In 1952 the author published a critical evaluation of psychotherapy which remains extremely influential even today. Eysenck asked how neurotics would fare without treatment and found that about two-thirds will regard themselves as cured or much improved within two years. Here he set a baseline which should be exceeded by any successful therapy. Yet when psychoanalytic and other therapies were compared with the baseline rate, no real difference was found. The case of psychoanalysis as treatment was unproven.

Is there, then, a better approach to behavior disorders? Eysenck's answer is "yes" and he describes in some detail

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

modern behavior therapy and its foundations in the work of Pavlov, Watson, and Skinner. But why are so many patients and therapists convinced that psychotherapy works? Eysenck suggests that if therapy has preceded remission, both patient and therapist have their belief in the effectiveness of therapy strengthened. The effect is a good example of the *post hoc ergo propter hoc* fallacy.

Did Freud, himself, have any doubts about the effectiveness of psychoanalytic treatment? Eysenck believes that toward the end of life he did and that he saw the future of psychoanalysis more in terms of its value in investigating the mental life. However, some of Freud's most famous cases, the Wolf Man, Little Hans, and Schreber, for example, when examined in the light of recent information, tend to cast doubt upon psychoanalytic interpretation.

Freud's book on the life of Leonardo da Vinci, published in 1910, had the distinction of establishing what came to be called psychohistory, or the examination of the unconscious basis of the social life of the past. While a flourishing field in some quarters today, psychohistory has failed to gain mainline support from either historians or psychologists. Eysenck shows quite clearly that psychohistorians tend to impose pre-existing theory upon poorly substantiated data and engage in extravagant speculation. In fact, Freud's handling of the life of Moses went so far afield as to become an embarrassment even to many of his devoted followers.

In conclusion, Eysenck acknowledges the very great impact of psychoanalytic thought, not only upon intellectuals, but upon the general culture. Psychoanalysis is seen as dealing with important questions and it is a system which can fairly readily be taught to large numbers of people. The long years of preparation for understanding a natural science approach to man's behavior will discourage many but must be endured if we are to make true progress. Psychoanalysis as an easy answer to human problems is in fact no answer at all.

Has Eysenck evaluated psychoanalysis fairly? In the estimation of this reviewer he has. Perhaps the most significant contribution has been Eysenck's placing of psychoanalysis

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

within the sphere of hermeneutics or interpretation of meaning. No longer do we need to debate the scientific status of psychoanalysis; we can now see it in a different niche where it may continue to provide food for thought and some subjective assurance if not scientific understanding. Beyond this insight Eysenck presents cogent arguments but not much that has not been known previously. Within scientific psychology psychoanalysis has been in decline for some time but for the culture it seems to be with us to stay. Here Freud's bold imagination has made its most lasting impression.

Parker E. Lichtenstein
Professor Emeritus, Denison University

The Decline and Fall of the Freudian Empire

Hans J. Eysenck

Clothbound 192 pages

CONTENTS

Freud the Man
Psychoanalysis as a Method of Treatment
Freud and the Development of the Child
The Interpretation of Dreams
The Experimental Study of Freudian Concepts
Psycho-babble and Pseudo-history
Bibliography and Indexes

ISBN 1-87465-01-5
Price $35.00

Scott-Townsend Publishers
P.O. Box 34070
N.W. Washington D.C. 20043

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Geography of American Achievement

Nathaniel Weyl

CONTENTS INCLUDE

The American Establishment
The Flight from Science by Americans
Ethnic Background of American Writers and Artists
Racial Background of American Lawyers and Doctors
Ethnic Leadership in American Business & Industry
Ethnic Background of the Richest Men in America
The Enigma of Jewish Eminence and Influence
Japanese Achievement in America

Clothbound 192 pages
With Ethnic Name Charts and Statistical Data Identifying Leading Americans by Ethnic Background

The author asks the question which national stocks are today leading America? This is answered by a statistical analysis of numerous biographical records ranging from *Who's Who in America, The Social Register, American Men and Women of Science, The Directory of Medical Specialists, Contemporary Authors, Leaders in Education*, and *Frontiers of Science and Technology*.

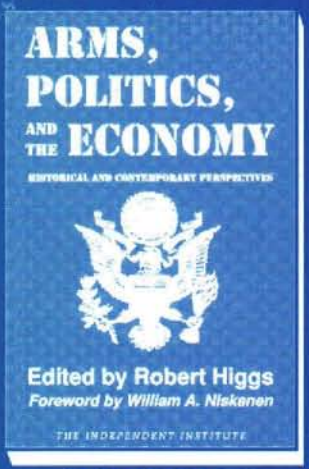
Nathaniel Weyl has identified a range of names which experts agree are broadly indicative of Japanese, Chinese, Hispanic, English, Jewish, Polish and other national origins. He then recorded the frequency with which these appear in social security records to assess their frequency in the American population and compared the results with the frequency with which each name appears in biographical records associated with achievement in business, science, medicine and law, etc. The resultant data, not to be found elsewhere, is of remarkable interest.

This new study is by the author of *The Negro in American Civilization, The Jew in American Politics*, and *Red Star Over Cuba*. Including a discussion of equal opportunity and ethnic quotas in his text, Weyl has written an outspoken book which may annoy some people but will not easily be put aside.

ISBN 1-878465-00-7 Price $35
Scott-Townsend Publishers
P.O. Box 34070
N.W. Washington, D.C. 20043

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

INDEPENDENT FROM BUREAUCRACY



ARMS, POLITICS AND THE ECONOMY

Historical and Contemporary Perspectives

Edited by ROBERT HIGGS

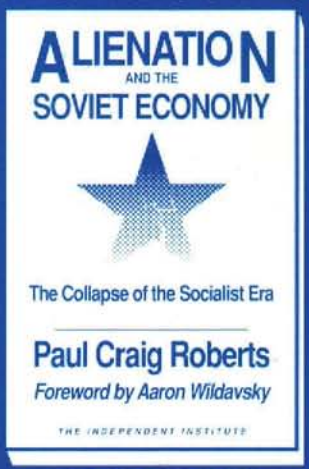
Foreword by WILLIAM A. NISKANEN

With the crumbling of the Cold War and the Soviet Bloc, will any expected peace dividend be lost in a web of defense politics? Now, ***Arms, Politics and the Economy*** unravels why military procurement has remained impervious to reform and how true defense needs can overcome scandal.

*"**Arms, Politics and the Economy** is a major chronicle and critique of the defense establishment, a virtual catalog of the defense business. The book is immensely informative and makes rare sense of the 'military-industrial-congressional complex.'"*
—EARL C. RAVENAL
Distinguished Research Professor of International Affairs, Georgetown University

"An immensely timely book! As the international system changes, understanding the domestic political economy of military spending is more important than ever."
—BRUCE M. RUSSETT
Professor of Political Science, Yale University

3 Figures • 16 Tables • Index • 380 pages • Paperback • Item #6060
$19.95 plus postage ($2.00/book), CA residents add sales tax



ALIENATION AND THE SOVIET ECONOMY

The Collapse of the Socialist Era

PAUL CRAIG ROBERTS

Foreword by AARON WILDAVSKY

When ***Alienation and the Soviet Economy*** first appeared in 1971, it argued that socialism was a catastrophic failure *already*. Now today, the cascade of current events has fully vindicated every one of Paul Craig Roberts's most controversial insights into Marxist theory and Soviet economy.

"Professor Roberts's explanation of Soviet economic development is timely . . . The book is beneficial reading for experts and non-experts alike who wish to understand the theoretical Marxian framework within which the Soviet economy grew and declined."
—ZBIGNIEW BRZEZINSKI
Former National Security Adviser

"The uncritical acceptance by Western observers of the supposed achievements brought about by central planning in the Soviet Union is subjected to a devastating critique in this short but powerful book. . . . a gem of a book."
—*NATIONAL REVIEW*

13 Figures • 1 Table • Index • 145 pages • Paperback • Item #1340
$14.95 plus postage ($2.00/book), CA residents add sales tax

The INDEPENDENT INSTITUTE

ORDER TOLL FREE 1-800-927-8733
Credit card orders only. 24 hours a day.

The Independent Institute, Dept. AT6, 134 Ninety-Eighth Avenue, Oakland, CA 94603

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED